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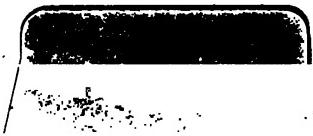
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THE
STANDARD OF VALUE
—
LEIGHTON JORDAN



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**THE
STANDARD OF VALUE.**



THE
STANDARD OF VALUE.

BY
WILLIAM LEIGHTON JORDAN,
F.R.G.S.



London:
DAVID BOGUE, 3, ST. MARTIN'S PLACE,
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PREFACE.

IN commenting on the First Edition of the following Paper on "Lord Liverpool's Oversight" a few days ago, a London reviewer alludes to it as a "defunct controversy." If, however, the reviewer will look a little more closely at the book, he will find that it not only is not the defunct controversy he supposes, but that it is the discussion of a question which was never dreamt of in the philosophy of William Cobbett, Sir Robert Peel, or John Stuart Mill ; and that it is not only a "living question," but what the Lord Mayor of London has recently, at a public meeting at the Mansion House, declared to be "a question which he thought there could be no denying was the most important of the present age."*

* The *Times*, 11th March, 1882. See footnote on page 73.



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LORD LIVERPOOL'S OVERSIGHT
AND
ITS CONSEQUENCES.

A Paper read before the English Literary Society of Buenos Ayres on the 14th of June, 1882, in support of the following resolution :—

“The restoration of the Double Standard of Value which was discarded in 1873, is desirable.”



LORD LIVERPOOL'S OVERSIGHT AND ITS CONSEQUENCES.

I.

A LETTER addressed to King George III. by the first Earl of Liverpool was the prevailing influence which induced Parliament to abolish the silver standard and to make the gold sovereign the sole representative of the Pound Sterling ; and the present mint regulations, which were established by Sir Robert Peel's Act in 1816, are in exact conformity with the principles advocated by Lord Liverpool in that letter.

My present object is to point out what I will rather call an oversight than a mistake made by the Earl of Liverpool ; and also the very pernicious effects which it has recently begun to produce throughout the British Empire, and to a lesser extent throughout the civilised world.

To illustrate the oversight in question I will quote from Lord Liverpool's letter an extract, in which his principal argument is clearly stated.

Lord Liverpool says :—

“ Coins must bear a due proportion to the wealth and commerce of every country in which they are current. In former times it was found necessary gradually to introduce into the currency of this kingdom, silver coins of a greater weight and value, in proportion as the wealth and commerce of it advanced. Thus pennies, half-pennies, or mailles, and farthings, were at first the only silver coins in currency. Groats and half-groats were afterwards introduced, and in subsequent periods, first shillings or testoons, and afterwards crowns and half-crowns were coined, and for the same reason brought into currency. In like manner, when the commerce of the kingdom had increased to a certain extent, coins made of gold were first struck at the English mint, and introduced into circulation. It was natural, that gold coins, as of less bulk, and of greater value, should be so introduced, and should become legal tender, equally with our silver coins ; and, in proportion as our commerce continued to augment, that they should gradually take the place of the silver coins ; and at length, when our trade had attained the very great degree of extent and splendour at which it has arrived in the course of the last fifty years, that they should become the principal measure of property and instrument of commerce, and leave to the silver coins the function of being employed only in the smaller and inferior branches of it.”

The oversight which Lord Liverpool seems to have made is that he does not appear to have perceived the intrinsic and very important difference between the character of a change by which silver shillings are coined to displace silver pennies, or silver crowns to displace silver shillings, and that by which gold sovereigns are coined to displace silver shillings or crowns.

By the changes from silver pennies to silver crowns the value of the silver of which the coins are made is not affected, and therefore the value of the standard unit remains unaltered.

But though the abolition of silver pennies and their substitution by larger silver coins does not affect the value of the standard unit, the effect of a change in the coinage is very different when it is decreed that the silver coins (except a small amount issued at a fancy valuation) are to be abolished and substituted by gold coins.

In the latter case the demand thus created for gold to supply the circulation which would otherwise be supplied by silver gives gold a higher value than it would otherwise have; and, therefore, the decree which substitutes gold coins for silver coins raises the value of the standard unit.

This principle, apparently overlooked by Lord Liverpool, I do not suppose anybody, whose attention has once been directed to it, can fail to perceive to be true in theory, however slight its practical effects

might be. And before endeavouring to show to what extent it may reasonably be estimated that the value of the standard unit has practically been raised by the abolition of the silver standard, I beg to draw your attention to a special reason why any change in the standard of value ought at that time to have been strictly avoided.

II.

For the above purpose I cannot do better than refer to the conversation which took place between the representatives of the International Congress for the simplification of coinage which met in Paris in 1866, and Mr. Goschen, then Chancellor of Her Majesty's Exchequer.

It was suggested by the above-mentioned Congress that the weight of the English sovereign should be reduced sufficiently to make twenty shillings exactly equal to twenty-five francs. This would be so slight a reduction that the suggested new sovereign would still be heavier than many of the sovereigns which, though worn by ten or twelve years of use, are nevertheless not so much worn as to cease to be of full legal tender weight.

Notwithstanding the very slight amount of the suggested change, Mr. Goschen, representing Her Majesty's Government, replied that the reduction in the weight of the sovereign would constitute a breach

of faith with the national creditor, or holders of the National Debt, and that, therefore, it could not be for a moment entertained.

I take the liberty of expressing my perfect sympathy with Mr. Goschen in his zeal for maintaining strict faith with the national creditor, and paying to him every farthing to which he is equitably entitled by the terms of the national loan.

But the same National Debt which caused Mr. Goschen so zealously to refuse to allow of the slightest change in the standard of value, existed when the law was enacted which substituted gold for silver coins and thus changed the standard of value.

The simplest dictates of common sense tell us that if the slightest reduction of the standard of value constitutes a breach of faith with the national creditor which ought to be strictly avoided ; then it ought, with the same zeal, to be maintained that the slightest enhancement of the standard of value constitutes a breach of faith with the national debtor which should have been just as strictly avoided.

I now beg your attention whilst I endeavour to estimate how much the abolition of the silver standard has raised the value of the standard unit, thus increasing the value and the burden of the National Debt whilst leaving its nominal amount unaltered.

III.

The gold sovereign is at present worth about 15 per cent. more than the market value of the silver pound in which the debt could be discharged but for the adoption of Lord Liverpool's system. Thus the National Debt of 750,000,000*l.* is equivalent to what would be the value of a debt of 862,500,000*l.* if the interest or capital could be discharged in silver of the relative value which actually rules in the market.

It must not however be immediately inferred from these facts that Lord Liverpool's system has made so great a real increase in the burden of the debt as 112,500,000*l.*; thus giving so large a bonus as that to the bondholders; for a part of the present difference between the value of the gold, and that of the silver pound might be due to a fall in the value of the silver pound also caused by that system.

To arrive at a just estimate of the extent to which the value of our standard unit, and consequently the value of the National Debt, has been increased by the adoption of Lord Liverpool's views, it is obviously useless to enter on the vexed question as to how much of the relative difference of 15 per cent. between the silver and the gold pound sterling would immediately disappear if Lord Liverpool's system were abrogated. All that is requisite is merely to estimate

how much the absolute value of gold has been enhanced by that system.

For this purpose I now ask your careful attention in the first place to the following extract from the *Edinburgh Review* for April 1879. The reviewer says:—

“ In this country, and generally, it has been taken for granted that there has been of late years an absolute depreciation of silver, and that gold is simply maintaining its old value. . . . A very different conclusion, however, was arrived at by the commission appointed in 1876 by the Congress of the United States. They maintained that there had been no depreciation of silver, and that the difference between the values of the two precious metals was owing to a rise in the value of gold.

“ They reported as follows:— . . . ‘ In order to ascertain whether silver has fallen or gold risen since 1873, not relatively to each other, but relatively to all other things, a comparison must be made between general prices in gold and silver respectively, then and now. Such a comparison would show that the purchasing power of gold has increased since then in all countries, and that the purchasing power of silver has decreased in none.’

“ Startling as this statement appeared at the time, there were even then many facts which tended to support the conclusion arrived at by the American Commission. . . . To say the least, silver had not

fallen in value in India. And it is equally manifest that there had been a considerable diminution in the value of silver compared with gold. . . . There had been no depreciation of silver in India, but an appreciation of gold. And this is the view of the matter at present maintained by the Government of India.

"The American Commission maintained that this state of matters was universal—in their own words : 'that the purchasing power of gold has increased since 1873 in all countries, and that the purchasing power of silver has decreased in none.' "

To the views so clearly expressed throughout the article in the *Edinburgh Review* from which I have quoted, I will add a short piece of evidence as a practical indication of a rise in the value of gold in England.

According to the Board of Trade returns the total value of British and Irish produce exported in 1872 was 256,250,000*l.* sterling, and in 1880 223,060,000*l.*

But the *Economist* of 19th November last gives the relative value of the exports for those two years, *if calculated at the same prices*, as 220,490,000*l.* in 1872, and 258,520,000*l.* in 1880.

This shows that there was an increase of 17 per cent. in the quantities exported, though there was an apparent fall of 13 per cent. in the total value exported.

This shows a fall of 26 per cent. in the average

prices of the exports ; which is equivalent to a relative rise of 35 per cent. in the value of the pound sterling by which the value of those exports is measured.

It seems almost self-evident that this change in nominal value must be in a great degree due to a rise in the absolute value of the pound sterling rather than to such a wholesale fall in the absolute value of the articles exported ; and almost forces on us the conclusion, suggested by the evidence I have extracted from the *Edinburgh Review*, that though gold has risen only 15 per cent. in relation to silver, its rise in absolute value is greater.

This conclusion can be corroborated in a very simple manner ; for as it is notorious that the closing of the mints against silver has prevented a very large increase of silver coins from being effected, it is evident that the refusal to allow silver the same unlimited coinage as gold, has not only caused a relative rise of 15 per cent. in the value of gold as compared with silver, but has, at the same time, indisputably given a higher average value to gold and silver coins than they would otherwise have, and almost certainly caused an absolute rise in that average value, by preventing the supply of coin from being equal to the increased requirements for it.

Taking this latter effect into consideration in conjunction with the previous evidence, it seems indisputable that Lord Liverpool's system has had the practical effect of raising the absolute value of the

pound sterling at least 15 per cent., and perhaps even to the extent of 20 per cent. or more.

It thus appears that 15 or 20 per cent. higher taxation is required to meet the interest on the National Debt than would be required if Lord Liverpool's system had not been established. That system changed the standard of value under which the money was borrowed, and has made it requisite for the debtor to pay 15 or 20 per cent. more than the value due under the original compact: the change of the standard of value being equivalent to an increase of the National Debt which, as above shown, may reasonably be estimated at not much less than 150,000,000*l.* sterling.

How can any thoughtful man fail to perceive the injustice of such a system and the national loss it inflicts?

IV.

With a view to remedy the acknowledged evils of the present position, Her Majesty's Government now offer to bind themselves, by agreement with other nations, to keep the Indian mint open for the unlimited coinage of silver if a number of the principal States will bind themselves to keep their mints open for the unlimited coinage of both silver and gold.

This is really tantamount to a declaration to the effect that Her Majesty's Government will passively leave it to other Governments to decide whether those

other Governments will or will not remedy the injustice done to ourselves by our own Parliament. For though the practical establishment of bimetallism at the former ratio by any nation would practically remedy that injustice, and the rejection of gold coins for silver coins by other nations might even make the gold pound sterling less valuable than the silver pound, the unlimited coinage of silver by the Indian mint (in the absence of such action by other nations) cannot have any effect on the absolute value of the gold sovereign, but must tend to increase the difference between the relative value of the gold sovereign and the silver rupee.

The peculiarity of the position is unique. The British Parliament first create an immense amount of debt under a certain standard of value ; then, in a perfectly arbitrary manner, they change that standard of value. This change brings about an obvious and serious injustice to the British nation to the benefit of the British bondholder, and acknowledged embarrassment and heavy loss to the Indian Government. A restoration of the standard of value under which the debt was contracted forms an obvious remedy for these evils ; and, under these circumstances, Her Majesty's Government declare themselves prepared, by Indian legislation, to assist such legislation by foreign powers as may bring about a practical restoration of that standard of value, but they will not themselves legislate for its legal restoration in England.

The reason for this peculiar course seems to be a prevailing opinion that the restoration of the former equilibrium is more requisite for the benefit of India and some foreign nations than for that of Great Britain. This opinion results from a misunderstanding of the actual situation.

The Indian Government requires an increased amount of revenue, because a part of their expenditure is payable in the pounds sterling which have been raised in value, and the Indian nation have therefore that extra burden laid on them. But their currency has not suffered the important change in value which the English currency has experienced ; and though the extra amount to be raised by taxes causes great embarrassment to the Government it is not so great as to form a great national calamity. In this India suffers in the same manner as England suffers by having to pay an increased value of interest on the National Debt in consequence of the increased value of the pound sterling.

But, besides this, England has been involved in disasters by which India has not been touched ; for the rise in the value of the English currency has not only created confusion by altering the value of all contracts, but has also disorganised trade and industries of all descriptions, so that it is not India but Great Britain that has been the chief sufferer from the repudiation of silver.

It is asserted by many that the bad harvests

experienced recently are the cause of the fall in the value of land, but the recent legislation for Ireland sufficiently proves that that is not practically accepted by Parliament as the cause. And, is it more likely that tenants have, in a wholesale manner, contracted to pay 15 to 30 per cent. more rental than their lands are worth, than that the value of their contracts has been increased by the increase of the value of the pound sterling indicated by the evidence already referred to ?

Is it not more reasonable to regard the difficulties experienced by tenants in paying their rents as further evidence of the increased value of the pound sterling ?

The simple reason for making only gold coins full legal tender in England is clearly given in the extract I have given from Lord Liverpool's work. But what are such considerations worth when weighed against those to which I have just alluded ? Or what, indeed, are *any* considerations based on commercial convenience worth when weighed against the rights of the national debtor ?

V.

Lord Liverpool's oversight in not perceiving that the abolition of the silver standard changes the value of the gold standard is made strikingly apparent by the fact that, throughout his long letter, he only once alludes to the question of the National Debt, and that when he makes this allusion he does so for the purpose of pointing out that the bondholders have no reasonable ground for objecting to the change from the double to the single standard.

His Lordship does not appear to have noticed that though the national creditor had no reason to object to the change, seeing that it deprived him of no right which he previously possessed ; the national debtor, on the other hand, had good reason to object, seeing that it deprived him of the right to pay in silver ; and if it were not that the debtors were too ignorant to understand the value of the right of which Lord Liverpool proposed to deprive them, they would doubtless have made their voices heard in such a manner as to prevent the perpetration of the injustice.

The glaringly one-sided character of Lord Liverpool's arguments on this point makes it almost appear that though he was writing just after the close of the great war with France, he had not learned the lesson taught by the scenes of anarchy in which the French nation had been involved in consequence of their

nobility having persistently acted as if they considered that no injustice could be done to the labouring classes, seeing that they had no right to be injured.

His Lordship was very careful to point out that his proposed measures could not injure the national creditor; and, having decided this point, he does not seem to have thought it worth his while for a moment to consider whether those measures would or would not injure the national debtor. His arguments on this point are those of a special pleader for the enhancement of the value of the bondholder's property, and not those of a statesman endeavouring to mete out impartial justice between the nation, which had just been so heavily burdened with debt, and the nation's creditors, whose loans had brought a desperate war to a successful conclusion.

Those loans, which formed nearly three-fourths of the whole debt, had been issued at an average price of about 60 per cent.—that is to say, the nation acknowledged an amount of debt about 66 per cent. greater than the amount of capital received; and besides this the money was received in paper, which was then depreciated to an extent variously estimated at different times at from 10 to 30 per cent.; and, indeed, at one time estimated by some as depreciated to the extent of 50 per cent.

Neither the extent of this depreciation, nor the price at which the loans were issued, directly concerns my present argument. I allude to these points merely to

show that if, at the close of the war, specie payments had been resumed under the same standard of value which existed before the war commenced, the bond-holder would have been very handsomely rewarded for his patriotism. To the profit made on his depreciated paper he was fairly entitled, because at the commencement of the war specie payments were not *abolished*, but merely *suspended*, it being understood that the paper notes would be redeemed at par in case of a successful termination of the war. And to the profit made on the price of issue he was fairly entitled also, seeing that it formed an explicit condition of the loan. But these enormous profits he would equitably have obtained by a return to specie payments under the standard of value which existed when those specie payments were suspended.

The resumption of specie payments under the sole gold standard instead of the double standard, changed the debt of 850,000,000 *pounds sterling* into a debt of the same number of *gold sovereigns*, which are worth 15 per cent. more than the silver pound sterling, and, as before shown, at least 15 per cent., and perhaps 20 per cent., more than the pound sterling would be worth if specie payments had been resumed under the previously existing double standard.

VI.

The same oversight which kept Lord Liverpool from perceiving that the abolition of the silver standard was an alteration of the standard of value which practically enhanced the value of the pound sterling, is apparent throughout the historical portion of his letter, notwithstanding that we find in one of his paragraphs such well judged statements as the following (p. 151). His Lordship says :—

“ From the time when gold coins were introduced into currency the pound sterling in tale represented a certain quantity or weight of standard gold, in like manner as it represented a certain quantity or weight of standard silver. . . . And from that time the gold and silver coins were in fact, as well as by law, equally the measure of property.”

But his Lordship afterwards goes on to say :—

“ It sometimes happened, however, that both gold and silver coins were, by various causes, alternately driven, in a great degree, out of circulation ; and one of them remained in currency, and became in fact the principal measure of property.”

Thus Lord Liverpool says, the gold coins having been driven out of circulation :—

“ From the year 1663 the silver coins became in fact the only principal measure of property.”

And, in 1805, he says :—

“ The gold coins are now become, in the practice

and opinion of the people, the principal measure of property."

His Lordship really does not seem to have perceived that though at one of those epochs chiefly silver, and at the other chiefly gold was in circulation in England, the two metals were nevertheless at all times jointly the measure of property, both by law and in fact ; for debtors could suit themselves as to which metal they reserved for their home debts, and which they exported for their foreign debts. The one metal rather than the other being kept in circulation in England, instead of being exported, depended on the changes of the relative value arbitrarily given to the metals at the respective mints. The "measure of property" was not affected by these changes of the relative value of the two metals at the respective mints, but remained the same double standard measure, though the changing prices and charges at the different mints made any given mint sometimes the best market for gold, and at other times the best market for silver. If every mint had been either only a gold mint or only a silver mint, then in some countries gold alone, and in other countries silver alone, would practically have been the measure of property, instead of the two metals jointly being the measure of property in all countries.

For these reasons also, notwithstanding that the double standard was abolished by law in England in 1816, gold and silver nevertheless continued in fact to

be jointly the measure of property ; because, though the English mint coined only gold, the holder of silver could always get the equivalent of the silver pound sterling in the gold pound sterling as long as the French mint was an open and unlimited market for silver at that relative value. This continued to be the case until the French mint was closed against silver in the year 1873 ; and then, for the first time, gold and silver became two separate measures of property, and gold alone, instead of gold and silver jointly, became practically, as well as by law, the principal measure of property in England ; and this sudden alteration of the measure of property almost immediately brought about a fall in the money value of land, and also, as before shown, of the aggregate of the money value of our exports ; whilst at the same time fixed amounts in money, such as land rents and the National Debt, were enhanced in value.

As Lord Liverpool did not understand that though at one of the epochs alluded to by him silver was chiefly in circulation, and at the other gold, the two metals were nevertheless at both epochs jointly the "measure of property," he therefore overlooked the fact that the abolition of the silver pound would naturally tend to enhance the value of the gold pound.

VII.

It was because the members of the Paris Conference of 1866 did not understand the nature of the oversight made by Lord Liverpool that they began the propaganda for the general repudiation of silver, and the extension of the gold standard to all countries. And the German Government soon afterwards removed the question from the domain of theory, by initiating the practical application of the views advocated by the Paris Conference.

The late Mr. Ernest Seyd and perhaps not more than half a dozen other bimetallists stood at first alone as opponents of the course advocated by the Paris Conference, regarding which I remarked when I had the honour of addressing you on this subject, two years ago :—"No such gigantic, bold, and mischievous injustice has ever before been attempted in the history of the world." I am glad to say that there is not now the vestige of a chance of the attempt to perpetrate that injustice being continued. For the victory of the bimetallists on that point has been complete, and the course advocated by the Paris Conference has now no defender. The repudiators of silver are completely defeated as regards the question of any further repudiation, and the question now at issue is as to whether silver is to be restored to the position it held before the first act of repudiation was effected by

the British Parliament, under the advice of Lord Liverpool.

The rapid and complete collapse of the repudiators, on what is really the main point, has brought about an all important change in the practical position of the question, which does not appear to have been as yet clearly recognised by either party.

For it was the prospect of further attempts to repudiate silver that caused the French mint to be closed against it. But now that that prospect has vanished, the French mint might at any moment resolve to abandon any further attempt to restore the recent rate between silver and gold, and reopen for the unlimited coinage of silver, in exactly the same coins as are at present current, sharing with the holders of French gold coin enough of the profit on its recoining, at a new ratio in respect to silver, to pay the cost of recoining.

Creditors on all current contracts would have the legal right to insist on payment in silver rather than in gold at the new rate of issue; but on all subsequent contracts both gold and silver, at the new rate of issue, would be equally legal tender. This would not deprive either debtors or creditors of any right they at present possess. And the consequent fall of the French currency in the foreign exchanges, which would follow the recoining of gold, and which would be no loss to the country in general, would merely constitute a return to the intrinsic values represented

by the quotations of exchange before the gold coins became enhanced in value by the closing of the mint against silver. The premium virtually, though in the greater part insidiously, paid by England and Germany in the determination to have gold rather than silver in their circulation, is the true though indirect source of the profit which the French mint can now obtain on the recoinage of gold.

As regards purely theoretical principles, the course I have suggested for the French mint would not intrinsically differ from what has occurred over and over again, on a smaller scale, in the practical working of the double standard; and, by that course, the double standard of gold and silver would again practically become the measure of value in all countries, though some might continue to have the gold, and others the silver standard, established by law.

That France, and other recently bimetallic countries, will be forced to some such course as that just indicated if the question should be allowed to drift much longer, I have no doubt. For, though it seems to me quite possible that France might be able to restore the old ratio without the assistance of England, there is no sufficient reason why that country should run the risk of failure in the attempt to do so. And one important reason why England should take the initiative in such a manner as to prevent a new rate between gold and silver from being permanently established, is to be found in the fact that 1858 grains

of standard silver are legal tender for each pound sterling of the National Debt, under the terms on which that debt was contracted, whereas such a new ratio would make the gold sovereign, which is now the only representative of the pound sterling, worth permanently much more than 2000 grains of standard silver. In this manner a gordian knot would insidiously be formed in our national finances, and would become an increasing source of contention.

It is not yet too late to prevent the binding of such a knot. But if once the recoinage should be undertaken by France, then international commerce will be just as well served by the double standard under the new ratio of gold and silver, but our own finances in England will be involved in a mess, of which it is impossible to foresee the issue.

VIII.

Financial history shows that the double standard originated in, and established itself by the slow and unperceived process of natural selection, which will also reinforce it, notwithstanding the temporary disturbance to which it has been subjected by the tampering of Lord Liverpool and his followers.

Prominent in the ranks of that party stands Lord Sherbroke, who, in a recent number of the *Nineteenth Century Review*, candidly tells us that he

does not know what bimetallism is. But Lord Sherbroke forgets that, some years ago, when he was Mr. Lowe and Chancellor of the Exchequer, he told us that, in advocating the double standard, we did not say what we meant, and that what we really meant to advocate was an alternative standard. Thus, some years ago Lord Sherbroke not only professed to understand what bimetallists want, but professed to understand it better than we do ourselves.

The fact is, however, that Lord Sherbroke confuses alternations of gold and silver currency with alternations of the standard of value, Lord Sherbroke, like Lord Liverpool, not understanding that all alternations of currency before 1873 took place under the same double standard of value, as I have endeavoured to make apparent in this paper.

The term Double Standard is the natural and most correct expression that can be used for our purpose. And, though an Alternative Standard is a theoretical possibility, that is not what bimetallists want. What we want is the double standard of value which practically existed from time almost immemorial up to the year 1873.

Necessity will re-establish that standard at a ratio inconvenient to us if we do not re-establish it at the ratio which was disturbed in 1873. And we merely want Parliament to re-establish by law at a convenient ratio, the standard which will otherwise restore itself, in spite of us, at an inconvenient ratio.

IX.

Among the recent accessions to the cause of bimetallism is Mr. Grenfell, the Governor of the Bank of England, who from the position of an opponent has become the leader of the bimetallic party in England. Mr. Grenfell has evidently been led over by practical considerations of commercial convenience, for he has not yet completely grasped the subject from a purely theoretical point of view.

On this account it is that Mr. Grenfell uses such a term as "money of the mind" in attempting to define a standard of value which is really a question of hard cash supported by very matter-of-fact laws, whose action is not influenced by our mental fancies or imaginary valuations.

On this account also Mr. Grenfell says that "to recognise the standard of value in international exchange is more important than to regard it in its relation to interior currency :" as if it were possible to have an international standard which was not also the standard of the interior currency of each of the nations included under the term international. A little reflection will I am sure induce Mr. Grenfell to admit, that the double standard of gold and silver cannot be maintained by any nation without becoming also the standard of value of the interior currency of all nations who have either a gold or a silver currency,

whether those nations may be conscious of the fact or not ; and the double standard becomes the international standard simply because it is the standard of value in the interior currency of each nation. They have an international standard because they all have the same standard practically though not by law.

On this same principle also, if, before the repudiation of silver, platinum had been made unlimited legal tender by any nation retaining also either gold or silver in its circulation, then, not only the international standard, but also the standard of the interior currency of each nation would be a treble standard dependent on the combined value of gold, silver, and platinum, and not on that of any one of those metals alone. The paramount objection to the legal establishment of a platinum standard in England is the fact that such a law would constitute a breach of faith with the national creditor exactly similar to the breach of faith with the national debtor which was caused by the parliamentary repudiation of the silver standard in 1816.

Mr. Grenfell repeats his mistake by saying that "within a country where gold is the only measure of value, the fixity, though not absolute, is as great as can be had ; but the question is how to obtain the greatest fixity in international transactions." For in this assertion Mr. Grenfell not only ignores the acknowledged truth that a double standard has greater fixity of value than either a gold or a silver standard,

but also again overlooks the fact that an international standard is also of necessity, the interior standard of each nation.

Such a change of ratio in the double standard as might cause no perceptible change of its value might nevertheless cause great change in the standards of those countries that had only the gold or only the silver standard established by law. But no change in the international standard can be effected without at the same time changing the value of all the interior standards ; and therefore if an international standard exist at all, it will of necessity have at least as much fixity of value as the legal standard of the interior currency of any individual nation.

It follows from this that a double standard country may retain the fixity of its standard whilst causing sudden and enormous changes in all monometallic standards by changes of ratio made requisite for the maintenance of its own standard. Thus monometallic countries are subject to an influence of foreign legislation which they cannot themselves exert abroad. And the greatest fixity of value in an interior currency is to be obtained by admitting into the circulation whatever metal may be unlimited legal tender in any other country, thus making the international standard both by law and in fact the interior standard.

If all nations but one were monometallic, and each with a different metal, then the one country could make a profit by keeping its mint open for the

coinage of all those metals at changing ratios, and thus establish an international standard which would also be its own standard, and might retain a constant fixity of value whilst all other countries had their standards subjected to constant fluctuations of value.

Mr. Grenfell of course clearly understands the great error made by the Paris Conference of 1866 in advocating the repudiation of silver. But he does not appear to have recognised the fact that if each individual nation be free to choose whatever metal it imagines to be best for its interior standard, then an international standard will of necessity in the course of time grow out of, and conform itself to those individual arrangements.

It is a hopeless task to endeavour to make individual nations conform themselves to any international standard artificially invented, though an enlightened self-interest must gradually lead each one to conform itself to whatever international standard may gradually establish itself by force of circumstances.

For this reason the Paris Conference of 1866 ought to have been satisfied with the *practical* simplification of coinage, which they could have achieved at the ratio of $15\frac{1}{2}$ to 1 between silver and gold; and, for the purpose of making that ratio *absolute*, they ought to have advocated the legal extension of the double standard, by showing it to be for the self-interest of individual nations to make their legal standard



conform itself to the standard which had established itself in practice. Instead of this, they made the mistake of endeavouring to induce individual nations to submit to the manifest inconvenience of changing the metal in their circulation for the sake of an asserted international benefit.

Not only is international legislation unnecessary for the purpose of establishing an international standard, but, judged by the abstract principles of free trade, such legislation would be a practical evil in many respects. One evil effect is to be found in the fact that it would almost necessarily be based on an agreement making it obligatory for each nation to continue the extravagant system of free as well as unlimited coinage, though there has ceased to be any sufficient reason for giving a bounty on gold and silver mining, in the shape of free coinage, rather than a bounty on iron mining, in the shape of free fabrication of useful instruments of that material. Gold and silver would flow to the mint quite fast enough without any such bounty.

X.

Many, even among professed bimetallists, consider that the restoration of the silver standard by the British Parliament at the recent ratio of $15\frac{1}{2}$ to 1, would be tantamount to the exclusion of gold coin from England. The effect of such a measure is, how-

ever, a purely practical question, to be judged by the condition of the currencies and the interests of other nations ; and it still remains as clear to me as when I last addressed you that, if England moves in the matter before the French mint undertakes to issue gold and silver at a new ratio, we may, even without any international treaty on the subject, make Mr. Seyd's 4s. coin, containing 350·305 grains of silver, as well as the gold sovereign, unlimited legal tender, in full assurance of the action of such a measure being supported by the French and American mints for their own convenience.

But, whatever may be our opinion on this point, I beg to impress on you the fact that the existence of our National Debt makes the coining of silver a question of right and justice, against which the question as to the comparative convenience of a gold or a silver standard ought not for one moment to be weighed in the balance. And, in conclusion, I humbly express the opinion, which is shared in by all who advocate bimetallism, to the effect that our wealth and prosperity are not in any manner due, as many suppose, to the establishment of our gold standard of value, but have rather been achieved in spite of the establishment of that standard. We are, indeed, convinced that that wealth and prosperity would be greater than it now is if the "ancient standard of the realm" had not been tampered with in the manner advocated by Lord Liverpool.

THE DOUBLE STANDARD
AND
THE NATIONAL DEBT.



A Paper read before the English Literary Society of Buenos Ayres on the 28th of July, 1880, in support of the following propositions:—

- “I. That the general adoption of Bimetallism is desirable and practicable.
- “II. That duty and expediency both urgently require the re-adoption by England (with or without the joint action of other nations) of the principle of Bimetallism which was abolished by the British Parliament in 1816 in favour of the gold standard.”

THE DOUBLE STANDARD AND THE NATIONAL DEBT.

IN the paper I have prepared for reading this evening I have preferred to run the risk of being tedious rather than the risk of not being understood; and therefore it may perhaps appear, as I read, that the same ideas recur too often. If so, I must ask you to excuse such repetitions, on the ground that ideas, when not at first understood, may be so when repeated in a different combination of words.

In the paper* read before you on the 26th of May, Mr. Barclay pointed out:—

First, that, "Prior to 1874, bimetallism was practically in force for all the purposes of international commerce. Individual nations had different standards; but, owing to the uniform relative value of the two metals, silver and gold throughout the world formed practically one mass of metallic money, and the par

* 'Bimetallism': a paper read before the English Literary Society, Buenos Ayres, by Robert Barclay, Esq., of Manchester. Published by the Author, at the request of the Society, and edited by the President, William Leighton Jordan, F.R.G.S.

of exchange between a gold country and a silver country, was for all practical purposes a fixed value, varying almost as little as if all the nations of the world had one metal alone as the standard of value."

Though in one group of States, including England, only gold, and in another group, including Germany, only silver was legal tender ; nevertheless, as a third group, including France, accepted either gold or silver indiscriminately as offered for coinage at the rate of $15\frac{1}{2}$ lbs. of silver to 1 lb. of gold, the relative value of the two metals in any country could not vary from that rate beyond the percentage requisite to cover the cost of sending one or the other metal to the French mint for coinage.

Secondly, that, "In the year 1867, a number of currency reformers met in Paris with the idea of discussing some system of universal currency by which the coins of all nations might be harmonised. These reformers, however, found that a serious obstacle to the realisation of their schemes existed in the different standards of value which the leading nations had adopted, and from that time there began a propaganda in favour of gold monometallism. The English system was regarded as the best, and English commercial prosperity was supposed to have resulted largely from her monetary system." *

* The following interesting extract from a speech delivered in 1873 by the Right Honourable Benjamin Disraeli, now Lord Beaconsfield, appears in Mr. Ernest Seyd's work on 'The Decline of Prosperity.'

"I attribute the great monetary disturbance that has occurred, and

Thirdly, that the foregoing suggestion was not acted on until the year 1872, when Germany commenced to change from the silver to the gold standard.

An unusual demand was thus created for gold; whilst at the same time the supply of silver from the coins discarded by Germany and thus thrown on the market was further increased by an unusually large supply from the mines. This combination of disturbing causes led the French authorities to fear that the action of the French mint would not be sufficient to sustain the established rate between silver and gold, which might, notwithstanding their action, be altered to a rate of 20 or 30 to 1. And therefore, seeing that, under their then existing regulations, all the gold absorbed by Germany would practically be withdrawn from France and other bimetallic States in exchange for an equivalent quantity of silver at the rate of 15½ to 1, the French authorities refused to receive silver for coinage and accepted only gold.

Thus the action of both France and Germany created an unusual demand for gold, whilst at the same time the one threw silver on the market, and the other closed a source of consumption previously existing for it.

is now to a certain degree acting very injuriously to trade—I attribute it to the great changes which the Governments in Europe are making with reference to their standards of value. . . . I think that any country which has a gold standard of value should, to use a celebrated expression, think once, twice, and thrice, before it gives it up. But it is the greatest delusion in the world to attribute the commercial pre-ponderance and prosperity of England to our having a gold standard."

The market price of silver soon fell rapidly from the former par rate of 6*qd.* per oz.; and it then became evident, even to those who had not previously perceived the fact, that (to use Mr. Barclay's words): "The bimetallic system of France with its free coinage of silver for all comers had linked gold and silver together not for France only but for the world, until the fear of an inundation of silver from Germany made her close her mint. Her bimetallic system gave way, after bearing many a strain, under a pressure it was never intended to bear."

It is a disputed point among financiers whether, if France had kept her bimetallic law in action, instead of prudently suspending the coinage of silver, the unusually large supply which was thrown on the market would not all have been absorbed without any disturbance of the relative value of silver and gold.

It seems to me that Mr. Barclay underestimates, or certainly does not overestimate, the controlling power of the French bimetallic law. For reasons which I shall presently give, I cannot myself doubt that if the latter law had been kept in force its influence would have been more than sufficient to sustain the equilibrium between silver and gold notwithstanding the tendency of the new German law to enhance the value of gold and depreciate the value of silver. The French mint might have coined double the amount of silver which could possibly have been sent there by

Germany, without causing any disastrous inconvenience in France.

And as regards the danger of the equilibrium being disturbed by the new supplies of silver: the fact is that during the twenty-two years from 1848 to 1870, with free coinage for silver, there were 60 million £ coined all over the world, so that at that rate, if the whole supply offered for coinage were taken to the French mint only, and were not able to pass from France into the circulation of other countries, even so it would take one hundred years, even under such practically impossible conditions, for the supply of silver to displace the gold circulation in France.

The real danger to France lay in the fact that the adoption of the gold standard by Germany was only a first step in favour of the universal adoption of gold monometallism; and on other nations with silver standards following the lead of Germany, then the combined influence would have been more than could be counteracted by France. Silver would then have depreciated after having taken the place of the gold circulation in France, just as it actually did depreciate on the French mint being closed against it; and therefore it seems to me that the French authorities showed sound judgment in suspending the action of their bimetallic law.

The idea that France with 260 million £ of gold and 70 million £ of silver circulation could not have withstood the sole influence of Germany in discarding

at the most 60 million £ of silver, and able to absorb at the most 100 million £ of gold, seems to me to be a mistake.

These are, however, mere matters of opinion which I express for the purpose of illustrating the subject. What is not doubted by any one is the fact that if England and Germany had in 1867 adopted the same bimetallic system as France, there would never have been any danger of the derangement in the relative value of silver and gold which has occurred.

This being so, it is then evident that if all the principal commercial nations adopted the French bimetallic law, the relative value of gold and silver would be maintained at the rate of $15\frac{1}{2}$ to 1 without any practical risk of derangement.

I will not dwell further on Mr. Barclay's arguments for the purpose of showing the practicability of bimetallism if generally adopted. Its desirability is roughly, but concisely, stated by Mr. Barclay in the following words :—

“ If silver were everywhere effectually demonetised, this would reduce the metallic money in the world to £700 millions of gold, and as this £700 millions would have to do the exchange work which is at present done by £1400 millions of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but

in reality it would be that money had become enhanced in value owing to its scarcity. It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed; not to speak of the immediate loss to the holders of silver, every debtor who owed gold would have practically double the amount which he owed to pay. National loans contracted in gold could not be discharged without the surrender of double the property which these loans when made could have bought. In fact, everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it must work."

The foregoing, it will be observed, is a purely practical argument based on the fact of both silver and gold actually being in circulation. And, to the numerous considerations urged by Mr. Barclay, I will add a short argument based on facts which show not only that the bimetallic gives a steadier and therefore a fairer standard of value than either the gold or the silver standard alone; but also that legislation can fix the relative value of the two metals in such a manner as to prevent any variations of their relative value even under greater variations of relative supply than have ever hitherto occurred.

In the year 1848 there were 400 million £ of gold and 600 million £ of silver in circulation. Between that year and the year 1870, 350 million £ of gold

and 60 million £ of silver were added to the circulation. Now, if gold only had been legal tender, the volume of the metallic currency would have been almost doubled during those years; but, in consequence of the existence of the silver currency, the increase was only 40 per cent.; and therefore the sudden influx of gold caused much less disturbance than would have occurred if gold only had been in circulation. This is a practical illustration of the manner in which bimetallism gives a steadier standard than monometallism.

As paper currency also tends to prevent fresh supplies of coin from effecting an equivalent rise in prices, it may here be observed that in England there are about 15 million £ of bank notes which have practically the same effect in depreciating the purchasing value of gold and silver as if it were exchanged for an extra amount of 15 million £ in gold or silver. It is more difficult to judge how much of the paper currency in many other countries has this same action; but allowing all the paper in circulation to be equivalent in this respect to an amount of 300 million £ in gold or silver, then that paper circulation would have further reduced the disturbing influence of the discoveries of gold just mentioned to 30 per cent.

That is to say, if the circulation had consisted of gold only, the new coinage just alluded to would have nearly doubled the amount of the circulation. If it

had consisted of gold and silver only, the increase would have been 40 per cent. But as it consisted of gold, silver, and paper, the increase was only 30 per cent. This latter is merely a rough estimate which I give for the purpose of illustrating the principles in question.

It must also be observed that this allusion to paper money is really a digression from our main point ; for its existence merely modifies the action of the principles involved, and does not affect the intrinsic merits of the single or the double standard.

To return to the main point, I will ask you now to mark well the fact that the large influx of 350 million £ of gold was all absorbed into the circulation without affecting the relative value of gold and silver, because the currency laws in England and other countries compelled the mints to receive all gold offered for coinage at an established rate.

Can it be doubted that if those mints had then been closed against gold as the mints have recently been closed against silver, gold would then have depreciated in relation to silver just as silver has now depreciated in relation to gold ?

Or, on the other hand, can it be doubted that if the mints had recently been opened to silver as well as to gold the present depreciation of silver would have been prevented ?

It seems to me surprising how any who give due consideration to the subject can doubt that a bi-

metallic law universally adopted might fix the relative value of the two metals either at 10 lbs. of silver to 1 lb. of gold, or at 20 lbs. of silver to 1 lb. of gold, without any risk of that valuation being disturbed by differences in the relative supply of the two metals unless those differences should be much greater than anything that has hitherto occurred. The only practical difficulty I see in the matter is that of inducing all nations to act together.

And the only principle at issue regarding which my opinion somewhat hesitates, is as to the expediency of binding ourselves by international treaty, rather than taking an independent course, guided merely by what present circumstances may make desirable for our interests. Granting both the practicability and the desirability of universal bimetallism, it nevertheless appears to me still more desirable for England to take the independent course which I am about to indicate rather than submit to the great delay and difficulty inseparable from the attempt to induce other nations to take joint action with us in the matter.

You have all had the opportunity for reconsidering the paper read on the 26th of May, in which Mr. Barclay acts as an able and lucid exponent of the opinions long since expressed by Mr. Ernest Seyd and other veterans in the cause of bimetallism ; and I shall presently ask you to adopt the resolution which was proposed by Mr. Barclay and seconded by Mr.

Runciman on the 26th of May ; namely : That the general adoption of bimetallism is desirable and practicable. By adopting that resolution you will declare that you consider it desirable that both gold and silver should continue with equal freedom to circulate as legal tender money in the commercial world ; and also that you consider that the relative value of $15\frac{1}{2}$ to 1 would be practically maintained if bimetallism at that rate were generally adopted by commercial nations.

I will now pass on to the second resolution which I have to submit to you, to the effect that, even if other nations decline to change their laws, it is nevertheless both the duty and the interest of England to adopt the principle of bimetallism, or, as stated in the words of the Resolution : That duty and expediency both urgently require the readoption by England (with or without the joint action of other nations) of the principle of bimetallism which was abolished by the British Parliament in 1816 in favour of the gold standard.

As regards the first resolution, I am acting merely as a supporter of the views expressed by Mr. Barclay on the 26th of May, and am now endeavouring to retrieve the defeat which they then experienced.

As regards the second resolution, those who were present at the last debate on this subject may remember that the views I expressed met with Mr. Barclay's opposition. If, however, I can succeed

in clearly stating the argument based on duty, I shall of course gain your adherence to the second resolution, even if you should not be able to express your belief in the practicability of universal bimetallism as required by the first resolution.

The plea of duty is based on the existence of our large National Debt ; and it is a subject which I am not now handling for the first time. Between the years 1857 and 1860, when discussing the currency question and its bearing on the National Debts which have been incurred during the last two hundred years, I frequently commented on the serious difficulties which might arise from the action of the currency law established in 1816. That law made it obligatory for debtors to pay $123\frac{1}{4}$ grains of standard gold containing 113 grains of pure gold for each pound sterling due to the creditor. At the time it was passed it inflicted no practical injustice on either debtor or creditor. In principle, nevertheless, it involved injustice, which in the course of the last five years has become practical.

To understand the principle at issue, it must be borne in mind that the pound sterling was formerly a Saxon pound weight of silver, divided into 240 pence, just as the pound weight was divided into 240 penny-weights. The pound Troy was subsequently substituted for the Saxon pound, thereby slightly increasing the unit measure of weight. But, on the other hand, frequent reductions were made in the weight of silver

declared to represent the pound sterling. The result of these changes was that, at the beginning of the 17th century, a pound Troy weight of silver represented $3\frac{1}{10}$ of the reduced pounds sterling.

The establishment of the Funding System in the 17th century then made it more than ever the duty of the Government to avoid any further changes of the accepted standard of value. And in fact, from that time up to the year 1816, that is to say, all through the period during which the National Debt of 850,000,000 pounds sterling was incurred, silver continued to be legal tender, 1 pound weight of standard silver, containing 222 pennyweights of pure silver, being coined into three pounds two shillings sterling.

When the first 50 million £ of debt was incurred, only silver was current as legal tender,* though the gold guinea was in circulation, and its value as money became settled by custom at 21s. 6d.

In 1717, at the instigation of Sir Isaac Newton, this gold coin, which formed practically an important part

* I have in this edition said *current as legal tender* instead of *legal tender*. In the first edition I was guided by the following statements by M'Culloch in his work on *Money*, namely : "In 1663 the guinea was first coined and its value varied (though fixed by the mint regulations at the low price of 20s.) *silver being the only legal tender.*" Also "In 1717 the value of the guinea was reduced by proclamation from 21s. 6d. to 21s. ; *both metals being made legal tender.*" The fact seems to be that gold was actually legal tender before 1717, though it was current at conventional rates, higher than its legal tender rate, until it was made legal tender for 21s. instead of 20s. It thus appears that the double standard was not only established in practice before the commencement of the Funding System, but had also a legal status.

at the most 60 million £ of silver, and able to absorb at the most 100 million £ of gold, seems to me to be a mistake.

These are, however, mere matters of opinion which I express for the purpose of illustrating the subject. What is not doubted by any one is the fact that if England and Germany had in 1867 adopted the same bimetallic system as France, there would never have been any danger of the derangement in the relative value of silver and gold which has occurred.

This being so, it is then evident that if all the principal commercial nations adopted the French bimetallic law, the relative value of gold and silver would be maintained at the rate of $15\frac{1}{2}$ to 1 without any practical risk of derangement.

I will not dwell further on Mr. Barclay's arguments for the purpose of showing the practicability of bimetallism if generally adopted. Its desirability is roughly, but concisely, stated by Mr. Barclay in the following words :—

“ If silver were everywhere effectually demonetised, this would reduce the metallic money in the world to £700 millions of gold, and as this £700 millions would have to do the exchange work which is at present done by £1400 millions of the two metals, its value would be correspondingly increased. One sovereign would have the same purchasing power as two sovereigns now have, prices of commodities would seem to fall to this extent in relation to money, but

in reality it would be that money had become enhanced in value owing to its scarcity. It requires little demonstration to prove that this would be an immense evil. The whole balance of values would everywhere be disturbed; not to speak of the immediate loss to the holders of silver, every debtor who owed gold would have practically double the amount which he owed to pay. National loans contracted in gold could not be discharged without the surrender of double the property which these loans when made could have bought. In fact, everywhere the debtor would suffer and the creditor gain. Of course, this is putting the thing in an extreme light, but it serves to show how it must work."

The foregoing, it will be observed, is a purely practical argument based on the fact of both silver and gold actually being in circulation. And, to the numerous considerations urged by Mr. Barclay, I will add a short argument based on facts which show not only that the bimetallic gives a steadier and therefore a fairer standard of value than either the gold or the silver standard alone; but also that legislation can fix the relative value of the two metals in such a manner as to prevent any variations of their relative value even under greater variations of relative supply than have ever hitherto occurred.

In the year 1848 there were 400 million £ of gold and 600 million £ of silver in circulation. Between that year and the year 1870, 350 million £ of gold

and 60 million £ of silver were added to the circulation. Now, if gold only had been legal tender, the volume of the metallic currency would have been almost doubled during those years; but, in consequence of the existence of the silver currency, the increase was only 40 per cent.; and therefore the sudden influx of gold caused much less disturbance than would have occurred if gold only had been in circulation. This is a practical illustration of the manner in which bimetallism gives a steadier standard than monometallism.

As paper currency also tends to prevent fresh supplies of coin from effecting an equivalent rise in prices, it may here be observed that in England there are about 15 million £ of bank notes which have practically the same effect in depreciating the purchasing value of gold and silver as if it were exchanged for an extra amount of 15 million £ in gold or silver. It is more difficult to judge how much of the paper currency in many other countries has this same action; but allowing all the paper in circulation to be equivalent in this respect to an amount of 300 million £ in gold or silver, then that paper circulation would have further reduced the disturbing influence of the discoveries of gold just mentioned to 30 per cent.

That is to say, if the circulation had consisted of gold only, the new coinage just alluded to would have nearly doubled the amount of the circulation. If it

had consisted of gold and silver only, the increase would have been 40 per cent. But as it consisted of gold, silver, and paper, the increase was only 30 per cent. This latter is merely a rough estimate which I give for the purpose of illustrating the principles in question.

It must also be observed that this allusion to paper money is really a digression from our main point; for its existence merely modifies the action of the principles involved, and does not affect the intrinsic merits of the single or the double standard.

To return to the main point, I will ask you now to mark well the fact that the large influx of 350 million £ of gold was all absorbed into the circulation without affecting the relative value of gold and silver, because the currency laws in England and other countries compelled the mints to receive all gold offered for coinage at an established rate.

Can it be doubted that if those mints had then been closed against gold as the mints have recently been closed against silver, gold would then have depreciated in relation to silver just as silver has now depreciated in relation to gold?

Or, on the other hand, can it be doubted that if the mints had recently been opened to silver as well as to gold the present depreciation of silver would have been prevented?

It seems to me surprising how any who give due consideration to the subject can doubt that a bi-

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absorbing 150 million £ of silver, thereby enhancing the value of each unit in the stock of 720 million £ 27 per cent. This would amount to a relative depreciation of 33 per cent. in the value of gold, or sufficient to restore silver from a price of 40*d.* to the former par of 60*d.* per oz. I cannot see sufficient reason for doubting that England's action would restore the disturbed equilibrium, seeing that it is obviously the interest of all silver currency countries to aid that action, even though they may shrink from the responsibilities of commercial treaties on the subject.

Besides this interest of various nations in maintaining the value of their existing stocks of silver, France has also the same duty to perform as England has ; for France has a large National Debt, and it has also been borrowed under the double standard.

Germany can afford to be more independent in the matter ; for an enhanced value of gold which would be equivalent to an addition of more than a thousand millions sterling to the debts of England and France would add less than one hundred millions to the debt of Germany. And therefore it can scarcely be doubted that if the double standard were again legalised in England, and discretion as regards the mint price of gold and silver left with the mint authorities, the English and French mints would immediately arrive at an understanding regarding the course to be followed for the common interest of the two countries.

The two countries hold not very much less than half of the gold now in circulation,* and have therefore the power, within very wide limits, to make the relative value of gold and silver just what they choose to make it; even if not assisted by the action of other nations. It is, however, notorious that the United States and many other nations would be prevented by their own interests from active opposition to an attempt to re-establish the former equilibrium; and therefore any active measures taken by them would rather be for the purpose of assisting our action.

Even, however, if unaided by the active co-operation of the French mint, and not completely successful, England's sole action would at least make the depreciation of silver so slow as to prevent any risk of its forming a great national disaster, for it would put a practical and immediate end to the propaganda in favour of the universal adoption of the gold standard, which caused the French mint to be reluctantly closed against silver.

It cannot be doubted that if an issue of four shilling silver coins equivalent to the French five franc piece had been made as unlimited legal tender in England in 1867, as suggested by Mr. Ernest Seyd, the present depreciation of silver would have been prevented. And this being so, then the suppression of the silver standard by the law of 1816 is as much the cause of the present depreciation as the recent German law which

* Published in 1880.

has been the immediate cause. But, in fact, the responsibility for the fall of silver, and relative rise of gold,* rests chiefly upon the English law ; for not only the German law, but also the whole of the propaganda against silver, is notoriously a consequence of the example set by England in 1816.

The blow which has depreciated silver was really struck by England in 1816, and the act was not consummated under the plea of necessity, but was the result of an opinion in favour of a sole gold standard carried into effect in ignorance of the mischievous effects it might entail. That law is the only one which has tampered with the English standard of value since the National Debt was first created. With all its authority it cannot change the terms under which the loan had previously been received, and therefore it does not, in justice, annul the debtor's right to pay in silver. I say it does not in justice annul the debtor's right to pay in silver, because, whilst discussing the question of reforming the law of 1816, we must keep in view the fact that the principal representatives of the bondholders are bankers, merchants, and capitalists who are supposed to understand the effects of such laws; whereas the principal representatives of the national debtors are labouring all day in the field, in the factory, or in our coal and iron mines, and do not

* The arguments in the paper on Lord Liverpool's oversight show that the depreciation of silver was then merely in relation to gold, and not absolute ; which makes the argument in favour of a restoration of the double standard as a matter of equity all the stronger.

pretend to understand the action of financial legislation. But if silver is allowed to become greatly depreciated below its present value in relation to gold; then the simple question as to whether 1718 grains of silver are or are not as good legal tender as 113 grains of gold for each pound sterling of capital or interest of the National Debt, will be easily understood by all. The contingent disasters of such a predicament are as obvious as the fact that they can be averted by the readoption of the double standard annulled in 1816.

The course of events may be such as to make the maintenance of the law of 1816 result in the rights of the bondholders being challenged just as the legal rights of the slave-owners in the United States were formerly challenged on the plea of a higher law, and ultimately vanished.

The Funding System has played an important part in the history of the world since its first success in assisting the cause of the great English revolution in 1688.

It is an institution which has contributed to the establishment of order and good government throughout the civilised world.

Its utility, when resorted to in moderation and with discretion, cannot be questioned. It would, nevertheless, be hard to invent any institution whose abuse could more insidiously, but surely, ruin the prosperity not only of a nation, but even of the civilised world.

Neither the old resource of raising money by debasing the current coin, nor the more modern method of making money by printing inconvertible paper, allows scope for such mischievous consequences as may be created by an abuse of the Funding System in raising money by loans to be repaid by future generations.

There is a limit in every country beyond which the system cannot be resorted to without entailing certain ruin.

It cannot be supposed that the English debt has reached that limit. If, however, the value of the interest on that debt should be enhanced 20, or perhaps 80 per cent., by silver being thrown out of circulation, and if any continuance of hard times should prevail in the country, then the debtors may perhaps look beyond the right of paying in silver, of which they have been deprived by the law of 1816, and may ask by what right any law or system of laws decrees them to have been born with the obligation of allowing the profits of their labour beyond a meagre subsistence to be appropriated by others. Under the laws of England which prevailed from before the Norman Conquest to the year 1816, not only the holders of silver, but also all debtors, held rights which have been ignored by the law passed in the latter year ; and if that law continues to be sustained, then on no principle of equity can a line be drawn to stop a gradual progress from the repudiation of silver, which was then

inaugurated, to the repudiation of the National Debt, by a law which will be the natural sequel to that of 1816.

Even supposing the law of 1816 to favour the creditor to the extent not of 80 or 20 per cent., but even 10 or 5 per cent., that alone is enough to condemn it.

Before the establishment of the Funding System the standard of value was frequently debased to the detriment of the creditor; but the sharp eyes and sharp wits of the bondholders have taken care to prevent any more rascality with that tendency.

The debtors were not so ably represented in Parliament in 1816.

I have already said that I do not believe that Parliament then intentionally defrauded the debtors, but that they were chiefly influenced by an opinion in favour of the gold standard. But surely, when acting on such a consideration, it must have been forgotten that the law by which the double standard had been legalised had been recommended by such an authority as Sir Isaac Newton, and that its wisdom had been certified to by Napoleon Bonaparte, who adopted a similar double standard in France in 1804.

Those authorities in favour of the Double Standard ought to have sufficed to make even Lord Liverpool refrain from tampering with the established standard of value simply on the plea that, in his opinion,

the gold standard was preferable to the Double Standard.

It was, doubtless, at that time, expedient for gold, rather than silver, to be coined ; but, nevertheless, the mint should have been allowed the right of purchasing silver for coinage whenever it could do so at a fair profit ; as, in fact, it could do at present.

Of course I do not advocate the idea of throwing the mint open for the free coinage of silver whilst the present depreciation exists. The mint, whilst endeavouring to restore silver to its previous value in relation to gold, should realise, for account of the National Exchequer, the profit to be gained by buying at the market rate and issuing at the legal tender rate.

I do not advocate this course on the plea of the Double Standard being better than either a gold or a silver standard ; but on the plea of the standard of value having been improperly tampered with in 1816, and of its being expedient that that sole breach of faith which has occurred between creditor and debtor since the establishment of the National Debt, should now be repaired.

The object to be attained is the prevention of the demonetisation of silver.

Provided that the existing stock be kept in circulation, and fresh supplies of silver be as freely received at the mints as fresh supplies of gold, the precise relative value of the two is a minor matter of detail

which does not affect the interest of either debtor or creditor.

The principle to be considered in this matter of detail is the same as that which appears to me to have been misunderstood in Parliament in 1816.

As there was then neither gold nor silver in circulation, it was quite right to give a preference to the free coinage of gold at the mint as a matter of convenience, and to leave the free coinage of silver in abeyance; for as long as the relative value of the two metals remained undisturbed, it was immaterial in which metal accounts might be liquidated.

The mistake consisted in abolishing the silver standard absolutely, evidently forgetting or ignoring the fact that the debtor would continue to have, under the terms of the National Debt, an absolute right to pay in the silver pound sterling, if at any time the preference given to the coinage of gold should artificially enhance the value of the gold pound sterling.

Just as the coinage of gold in preference to silver might have been resorted to in 1816 as a matter of convenience without prejudice to the rights of debtor or creditor, so also provided gold and silver both be acknowledged as unlimited legal tender, and whilst working for the restoration of the former equilibrium, it is immaterial as regards the respective interests of debtor and creditor whether the rate of issue be the former English rate of 1718 grains for a pound sterling, which is equal to the ratio of 15·209 to 1; or

the French rate of $15\frac{1}{2}$ to 1; or the issue recommended by Mr. Seyd of 4s. coins containing 350 $\frac{5}{8}$ grains of pure silver, and therefore equal to 2 $\frac{1}{2}$ rupees.

If we were acting without expecting the speedy co-operation of other nations in the attempt to restore and sustain the value of silver, then the latter coin would not only have the merit of being a convenient coin for legal tender both in England and in India, but, as it gives silver and gold the ratio of 15.515 to 1, the mint might issue at that rate under circumstances which would not conveniently allow of its issuing either at the French rate of $15\frac{1}{2}$ to 1 or at the former English rate of 15.209 to 1.

As the latter rate, with the French bimetallic law in force, gives silver in relation to gold a value of nearly 2 per cent. more than the French rate, its action would tend to force silver to the English mint and gold to the French mint; and therefore it could not be permanently readopted without inconvenience.

The adoption of the French ratio would not only obviate this inconvenience, but would also have the merit of facilitating the action in France and other countries in joining the course initiated by us for maintaining the circulation of silver; and this latter consideration makes a coin of the French ratio (say a 4s. coin containing 350.305 grains of pure silver) as many years ago suggested by Mr. Seyd, more desirable than his later suggestion of the heavier coin of 350 $\frac{5}{8}$ grains. The great object to be attained, as

already said, is to keep both gold and silver freely in circulation, remembering that the debtor has as much right to protest against the mint being closed against silver as the creditor would have to its being thrown open for the free coinage of copper as unlimited legal tender. And therefore, if the attempt to sustain the value of silver should fail, and it should in consequence of the mints having been closed against it, fall to a small fraction of its present value, the national debtor has, in equity, just as much right to pay 1718 grains of silver for a pound sterling as the creditor has to demand 113 grains of gold, whilst by the terms on which the loan was raised, the debtor has the right of paying in the silver, and the creditor has not the right to demand gold. The bondholder who encourages the demonetisation of silver in the hope of improving his income takes, therefore, I think, a shortsighted view of the matter.

The assertion that, under the circumstances just mentioned, the debtor has, in equity, as much right to pay in silver as the creditor has to demand gold, rests on the fact that the relative depreciation of silver is caused not merely by a decrease in the value of silver, but also by a simultaneous increase in the value of gold.

The proportion which the rise in the value of gold may bear to the fall in the value of silver must depend on circumstances.

With half the metallic circulation gold and the

other half silver, then the withdrawal of one half of that specie would necessitate the withdrawal of one half of the paper circulation based on it. And then the rise of gold would be as great as the fall of silver, or gold might even be doubled in value with a relative depreciation of 70 or 80 per cent. in the value of silver ; unless the difficulty of withdrawing the paper should practically result in a great part remaining as inconvertible currency.

For this and some minor reasons I have alluded to the demonetisation of silver not as doubling the burden of the National Debt, but as equivalent to an increase of 25 per cent.

An absolute rise of 25 per cent. in the value of gold with a fall of 25 per cent. in the value of silver would be a so-called depreciation of 40 per cent. in the value of silver, or a market price of 36*d.* per oz.

It is, however, practically possible that gold might rise 80 per cent., and that the utility of silver for other purposes than coin might keep it from falling more than 70 per cent., which would be a relative depreciation of 83½ per cent., or a market price of 10*d.* per oz., which may perhaps be the extreme price to which it is practically possible for silver to fall. If, however, we admit the practical impossibility of more than partially changing the circulation of India and China from silver to gold, and the certainty that a considerable amount of inconvertible paper must remain in circulation in some countries on silver being thrown

out, we may perhaps safely consider 20*d.* as a practical limit to the fall in silver which the attempt to establish gold monometallism might cause. That price would result from a fall of 50 per cent. in the value of silver, coupled with a rise of 50 per cent. in the value of gold.

It must, however, be borne in mind that, though the relapse of some nations to inconvertible paper might partially check the immediate rise of the value of gold, their attempt to return to specie payments would tend to cause a slower rise.

So that in theory there is no limit to the rise in the value of gold which a demand for metallic circulation might cause, and we have therefore before us the abstract possibility of gold being trebled in value, or a rise of 200 per cent., which, with the fall of 70 per cent. in the value of silver, would give a relative depreciation of 90 per cent., or a market price of 6*d.* per oz., which could, however, be brought about only by a very slow process.

Whether the demonetisation of silver doubles the value of gold or merely adds 15 per cent. to it : that is to say, whether it is equivalent to an addition of 750,000,000*l.* to the National Debt, or merely an addition of 112,500,000*l.*, it is not just that such an additional burden should be imposed on the debtor by the vagaries of artificial legislation, or on the plea of a gold, being more convenient than a silver circulation. If, therefore, the influence of the bondholder

should be exerted for the demonetisation of silver, the debtor will, with equity, stand on the original terms of the bond, and insist on 1718 grains of silver being accepted as legal tender for a pound sterling.

What is at present termed the depreciation of silver is probably due in a greater degree to an absolute rise in the value of gold than to an absolute fall in that of silver.* For the action of Germany in withdrawing 100,000,000*l.* from a stock of about 800,000,000*l.* gold tends to give an increased value of 14 per cent. to each remaining unit. Whereas the 60,000,000 sterling of silver thrown on a stock of about 640,000,000 tends to depreciate each unit 9 per cent., making a relative depreciation of 20 per cent., or a market price of 48*d.* per oz.

How much of the fall beyond 48*d.* was due to a rise of gold, or to a fall of silver, it is more difficult to estimate.

Probably a part of the fall was similar to the fall which occurs in the value of bank notes in face of a prospect of repudiation on the part of the Bank of Issue.

For every grain of gold or silver, whether in coin, in bullion, in articles of use, or as yet undisturbed in the mine, has virtually become a promise to pay on demand. They do not, like paper, require words stamped on them to be distinguished by the Bank.

* This opinion has been corroborated by the arguments alluded to in the footnote on page 56.

The civilised world is the Banker by whom those promises are issued, and property of all other descriptions is the value in which they are payable on demand.

The prospect of demonetisation, or, in other words, the propaganda made to induce the banker to refuse to "cash" the silver promises at par, would naturally cause a depreciation which would be recovered as confidence in the intention of the banker to cash the silver, as well as the gold promises, became restored.

The propaganda openly advocate repudiation merely as a matter of convenience, apparently forgetting its inconvenience to the holder of the promises.

We know too well what distress and ruin are wrought by the failure of a comparatively small country bank to cash its notes.

We may perhaps be able to imagine the distress and poverty which would result from the repudiation of the Bank of England promises to pay.

But what is that compared to the world-wide influence of the repudiation of silver? In justice to mankind let it be recorded that no such gigantic, bold and mischievous injustice has ever before been attempted in the history of the world; and also, that the rising value of silver now shows a return of confidence in the Banker's honour.

Returning to the more practical line of argument: it is, as already stated, an open question whether under existing circumstances the attempt by England

to return to bimetallism would practically give us a double standard or a silver standard. But it seems most probable that even an attempt to effect a change of our current coin from gold to silver by the mint purchasing silver at its market rate and issuing it at the rate of $15\frac{1}{2}$ of silver to 1 of gold, would simply result in the practical working of the double standard, for the mint would, of course, cease its purchases of silver as soon as they ceased to be profitable, and it is not by any means apparent that there is a sufficient supply of silver for the demand which the attempt to change our circulation from gold to silver, without cost, would create. For, as France and the United States are both interested in maintaining silver in circulation, they would naturally at least refrain from opposing our action. Be this, however, as it may, seeing that justice requires the readmission of silver into the circulation, that consideration should override all nice distinctions of opinion regarding the comparative merits of the Silver, the Gold, or the Double Standard.

Our former rate of 1718 grains of silver for 113 grains of gold, allows a permanent premium on the importation of silver in exchange for gold, from countries under the French bimetallic law. The precise rate at which silver is readmitted is, however, a mere matter of convenience, as it does not affect the respective interests of debtor and creditor, provided it is such as to sustain the practical working of bimetal-



lism. And, therefore, the adoption of the French ratio would be a just arrangement in the interests of the bondholder, without giving the debtor any equitable cause for complaint. The fact to which we must not shut our eyes is that, in case the attempt to re-establish the equilibrium between gold and silver should fail, and silver should consequently become permanently depreciated, then no legislation can change the fact that 1718 grains of silver is a true legal tender for the pound sterling under the terms on which the National Debt was received. It is the pound sterling in which the debtor has that right to liquidate the debt ; whilst, as a question of equity, it would be as unfair for the debtor to be forced to pay 113 grains of gold, as for the creditor to be forced to receive 1718 grains of silver, though the terms of the debt make this legally valid.

It is in order to prevent the growth of these conflicting interests that England should immediately take practical measures to restore the value of silver. If those measures should fail, then 1718 grains of silver will practically become the British pound sterling, whose value in relation to foreign circulations will readjust itself.

If, at any subsequent period, the vagaries of foreign legislation should so raise the value of silver and depreciate that of gold, as to make 1718 grains of silver worth more than 113 grains of gold, then, if the difference became sufficient to leave more profit to the

mint on coining gold than on coining silver, it would again put gold in circulation.

In the absence of a bimetallic law established by international treaty, the foregoing is the system into which all nations will, I believe, gradually be forced by self-interest; and by it the principle of bimetallism would be practically maintained, subject to variations of perhaps 3 or 4 per cent.

Whilst alluding to this system of the independent action of each nation, it will not be out of place for me to mention that in the year 1874, when I expected to have the requisite support for the purpose in London, I drew up a system for the introduction of a metallic circulation into this country, and framed it on that principle; considering it one that could be sustained here, even though the maintenance of a sole gold standard might become impracticable.*

The present objection to acting on that principle in England is, that it compels us to run the risk of a complete change from a gold to a silver circulation. I do not myself believe that, if managed with discretion, it would have such a result. And, in favour of that course is the expediency of avoiding the creation of the conflicting interests between debtor and creditor, to which I have alluded; and also the duty

* Specie payments were suspended in Buenos Ayres in 1876. If the specie circulation had then been silver instead of gold, the pressure which caused the suspension would, to say the least, have been very much less, and probably would not have been felt at all.—*Note to this Edition.*

of abstaining from such a wholesale change of the standard of value under which the National Debt was received, as must result from the demonetisation of silver.

For these reasons it seems to me that justice commands the practical course which it is now England's duty to take. The mint cannot, without National dishonour, remain closed against either gold or silver ; but a fair charge might with propriety be made to cover the cost of coining gold, and the mint price for silver might be made to follow the market value in such a manner as to keep a constant supply offering as long as the mint can make a profit by coining.

Neither France, with all her monetary power, nor any other country, could take the course I have suggested for England, with the same prospect of success as would attend England's action. For France would have to act, not only knowing beforehand that the English law of 1816 makes it impossible for the English mint to assist that action, but also, in face of the risk of a further extension of the principle of gold monometallism already adopted by England and Germany.

But the first effect of the restoration of the Double Standard in England would be an immediate scramble between the English, French, and other mints for the profit to be made by the first purchases of silver for coinage ; for all danger of an extension of gold monometallism would then be removed.

By the time the English or other mints had between them picked up as much money as Germany has spent in the process of changing from a silver to a gold coinage, the old equilibrium would be re-established. For, as regards this special point, the effect of legislation may be regarded as that of a game at cards, by which no wealth is created though money changes hands.

Germany has thrown a pile of money on the table, and it remains to be seen whether England will take it up by playing the Silver Standard ; or whether, by the maintenance of the gold standard, Germany may get the best—or, I should rather say, come least badly off in the game of “beggar my neighbour,” which has been inaugurated by the attempt to extend the gold standard.

Even, however, supposing that we were not guided by self-interest, as I contend, to the course here suggested, nevertheless the main conclusion arrived at by the foregoing arguments is that, though circumstances may give us practically a single standard under a double standard law, we have no right to a single standard established by law whilst the National Debt remains unpaid. And justice, therefore, calls on the nation to choose between two courses—either pay off the National Debt by an assessment on capital, as urged by Ricardo ; or return to the Double Standard, as arranged by Newton.

Mr. Chairman and Gentlemen,—I have, as you have

perceived, urged you to adopt the second resolution chiefly as a measure required by justice and duty; secondly, as a measure of political expediency; and thirdly, as a financial measure, whose advantages outweigh its disadvantages. Be the merits of this third plea, however, what they may, let us remember

“It oft is told in England’s story,
The path of duty is the road to glory.”

And even if the full concession of the right to pay in silver should result in a complete change from a gold to a silver circulation, the change may simply teach us more fully that our wealth and prosperity are due to ourselves and not to the metal it may chance to suit us to use for coin.



THE POUND STERLING :
ITS
HISTORY AND CHARACTER.

(PUBLISHED IN BUENOS AIRES IN 1881.)

Quis talia fando temperet ?

THE POUND STERLING:

ITS

HISTORY AND CHARACTER.

I.

THE *Nineteenth Century Review* for June, after propounding the question : "What is a Pound?" seems inclined to answer, as I did before the Literary Society last year, to the effect that it is either 1718 grains of silver or 113 grains of gold, at the option of the debtor; and, though I am at present exiled from England by the hostility of the professional philosophers, who cannot forgive a merchant's clerk for having become the discoverer of the action of astral gravitation, and for having, by means of that discovery, corrected the fundamental error which pervades what they have for two centuries been teaching as the "Laws of Motion," I will not on that account refrain from continuing to take part in the discussion of this, the most important question which thoughtful

men are now endeavouring to make politicians understand.*

I approach the subject in a tone of "moderation" not because I think that those who clearly understand its importance ought at this time to be moderate in the expression of their opinion, but because I cannot readily command for the discussion of what are now to me stale truisms, the "zeal and enthusiasm" with which nearly a quarter of a century ago I denounced the injustice of the standard of value which was established in 1816, and denied the right of Parliament, under then existing circumstances, to alter the "ancient standard of the realm."

II.

The sovereign, which is at present the only legal representative of the pound sterling, is a quite modern coin ; and it does not, as regards weight, or value, or metal, or in any respect represent the original pound.

* At the Bimetallist Meeting held at the Mansion House this year (1882) the Lord Mayor on opening the proceedings expressed an opinion similar to that I have expressed above ; declaring this to be the most important question of the age. On the other hand, *The Times*, in a leading article on the 16th Nov., 1881, soon after receiving the above, in the First Edition, declared, not that the Currency Question but that the Land Question is "the most important subject which can now engage the attention of the men of politics or the men of science :" and ignored the possibility of the difficulties between landlord and tenant being in any manner connected with the Currency Question. The writer of that article perhaps does not know that any change of the standard of value occurred in 1873.—*Note to this Edition.*

The pound sterling, divided into 240 pence, is the oldest measure of value known to have been in use in England ; and it originally consisted of a Troy pound weight, or 5760 grains,* of standard silver. The silver penny then weighed 24 grains and served as a measure of the penny weight.

When the Saxons established themselves in England, they introduced the use of the Saxon pound, which weighed only 5400 grains ; and this, which became known as the Tower pound, continued to be used at the mint in the Tower of London until the reign of Henry VIII., when the use of the Troy pound was resumed.

As the penny continued to be the 240th part of the pound, the Saxon pennies weighed only $22\frac{1}{2}$ grains each, and therefore, ceased to represent the full penny weight ; but the pound sterling continued to be represented by the quantity of standard silver equal to the pound weight in ordinary use.

Throughout the reigns of the Saxon kings and up to the beginning of the fourteenth century the pound sterling, both in England and in Scotland, preserved

* The Troy weight (says Mr. Davies Gilbert, late President of the Royal Society), appeared to us (the Commissioners of Weights and Measures) to be the ancient weight of this kingdom, having, as we have reason to suppose, existed in the same state from the time of St. Edward the Confessor ; and there are reasons, moreover, to believe that the word Troy has no reference to any town in France, but rather to the monkish name given to London, of Troy Novant, founded on the legend of Brute. Troy weight, therefore, according to this etymology is, in fact, London weight.—J. R. M'CULLOCH.

its original character as representing a pound weight of standard silver, though there appears to have been some confusion between the use of the Troy pound and the Saxon pound. It is supposed by some that both these were in use at the same time both as measures of value and as measures of weight.

III.

Edward I. first tampered with the standard of value in England. In the year 1300 he appropriated 3*d.* from each pound ; and by paying out light coins, made the pound sterling cease to represent a pound weight.

Soon after this Robert Bruce took 1*s.* from each pound sterling in Scotland. And the example of these kings was followed by some of their successors, more especially by Henry VIII. in England and James VI. in Scotland, to such an extent that at the beginning of the seventeenth century a pound weight of silver was coined into thirty-six pounds sterling in Scotland and into three pounds in England.

Henry VIII. had not only issued light coins, but he also debased the quality of the silver.

Queen Elizabeth, however, soon afterwards restored the English standard to its original purity ; but to compensate or partially compensate for this restoration of quality, issued 3*l.* 2*s.* instead of 3*l.* for a pound weight.

Thus, when James VI. of Scotland succeeded to the throne of England, the quality of the standard silver was the same as it has been from before either the Norman or the Saxon Conquest to the present day, excepting the seventeen years during which Henry VIII.'s spurious coins were legal tender; and the pound sterling consisted of 1858 grains of that standard silver.

This English standard was then extended to Scotland, displacing the Scotch sterling, which had become not only much lighter in weight, but also greatly debased in quality.

Soon after this the Funding System was established, and this method of raising money put an end to further depreciations; for it was evident that money would not be lent to the Government to be repaid in depreciated coin.

IV.

The first amount of debt was incurred by William III., who borrowed 16,000,000*l.* sterling at interest and defeated James II., who issued copper instead of silver coins for the payment of his troops. The triumph of William put an end to the system of raising money by the issue of depreciated coin, and inaugurated the Funding System in its place.

Whilst the above-mentioned loan was raised by William, and a further amount of 36,000,000*l.* sterling

by Queen Anne, a considerable amount of gold was in circulation in England, though only silver was current at its legal tender value. The creditor had the option of refusing the gold guinea at its current valuations of 30*s.* to 21*s.* 6*d.*: its legal tender value being 20*s.* But in 1717 the practical position of gold became legalised. The gold guinea, which was legal tender for 20*s.*, and which the law did not then allow the creditor to receive for more than 22*s.*, was in circulation at a conventional value of 21*s.* 6*d.* In December 1717 the value of this coin was restricted by law to 21*s.*; and in May 1718 it was made legal tender for that same value. In this manner the legal tender value and the current value of the guinea both became established at 21*s.* The immediate object of this measure was to prevent the exportation of silver coin which was then going on. It was hoped that the legal value of 21*s.* given to the guinea would prevent creditors from receiving it at its conventional value of 21*s.* 6*d.*, and would thus cause the gold, instead of the silver coin, to be exported. As regards this purpose, the measure was only partially successful, but it achieved the more important object of legalising the position of gold as part of the currency of the kingdom. The gold and silver, or Double Standard, had prevailed in practice from the reign of Henry III., when gold was first coined in England, though gold was not always legal tender, and when declared legal tender was not always current at its legal tender value

until 1718 ; but from that date both gold and silver became current at their legal tender values, thus definitely establishing the Double Standard both by law and in fact and keeping the relative value of the metals in the market under the control of this double standard valuation.*

V.

Under the standard of value legalised as above mentioned, the amount of the debt continued to increase with each successive war in which we were engaged ; until at the commencement of the American war of Independence it amounted to 128,000,000*l.* sterling.

That unfortunate nine years' war added 121,000,000*l.* sterling to the debt ; and nine years after the conclusion of that disastrous war, we commenced the great war with France, which was merely a sequel of the American war, which had originated in the narrow-mindedness and incompetence of our own Government,

* The Double Standard thus established governed the market value of the metals until 1874 ; being in the meantime subjected to the change from the English to the French ratio. In 1874 the standard whose position was acknowledged and facilitated by Newton and Bonaparte, became deranged by the arbitrary action of Lord Liverpool and the Paris Conference of 1866.

I have modified this paragraph, of Section iv., for this edition : but these modifications of historical detail are such as do not affect the argument of the essay ; unless indeed they make it stronger than before. For authority on the above points see footnotes on pages 47 and 48.

and which in the course of twenty-two years, *horresco referens*, added a further amount of 600,000,000*l.* sterling to the debt.

VI.

Thus in 1816 the debt amounted to 850,000,000*l.* sterling, each of which was by the terms on which it was borrowed, either 1718 grains of silver or 113 grains of gold at the option of the debtor;* but Parliament then decreed that the debt which had been borrowed with the right of payment in silver, must be paid in gold: for they closed the mint against silver, except for the coinage of a limited amount issued at an enhanced value for small change, and declared gold the only legal tender for the pound sterling; the mint being open for the unlimited coinage of the gold sovereign.†

* Whilst the first 52,000,000*l.* of debt was incurred it did not suit the debtor to pay in gold, except at a conventional valuation higher than the above relative value. But from the very commencement of the Funding System, until the year 1816, he always had the legal right of paying either in silver or in gold at his option, though the legal ratio varied somewhat from the above before 1717 and differed from the ratio in usage.—*Note to the present Edition.*

† The name of sovereign was first given to a 20*s.* gold coin in the reign of Henry VII. New sovereigns were coined by Henry VIII.; and again by Queen Elizabeth. The 20*s.* gold coin was subsequently called a laurel, and afterwards, in the reign of Charles II., a guinea, which latter, though legal tender for 20*s.*, was current at rates varying from 30*s.* to 21*s. 6d.*, until, in 1717, its value became fixed both by law and usage at 21*s.*, as above mentioned, and remained so until 1816; after which it was, together with the silver coinage, supplanted by the

VII.

Now if Parliament had a right to pass such laws as above mentioned, then it has just as much right to open the mint for the free coinage of copper and to declare 240 copper pennies to be legal tender for the pound sterling.

As the money was borrowed with the right of paying in either silver or gold, it was just as improper to deprive the debtor of the right to pay in silver as it would have been to grant him the right to pay in copper as well as in silver or gold.

It certainly was quite right that further debasement of the currency should be prevented after the establishment of the Funding System ; but, if it be unjust to make a change in the value of the pound sterling in favour of the debtor, then it is also equally unjust to make a change in favour of the creditor.

The historical summary I have just given shows that before the Funding System was commenced, the currency was frequently tampered with by successive governments, who issued depreciated coin as a means of raising money. The interests of the bondholders had, however, the beneficial influence of preventing any further debasement of the coin ; so that from the

gold sovereign issued by George III., in accordance with the suggestion of Lord Liverpool which has become the *fons et origo malorum*.—*Note to this Edition.*

beginning of the Funding System up to the year 1816 no change was made in the standard of value. Then, however, we find Parliament passing a measure with a tendency not to depreciate, but to enhance the value of the pound sterling.

I have, in the essay published last year, explained that I do not for a moment suppose that the majority in Parliament passed that measure with the wilful intention of defrauding the debtors. Let us, however, suppose that, instead of a measure having been brought before Parliament proposing to close the mint against silver, and to make gold the only legal tender, a proposition had been made to open the mint for the free coinage of copper and to make 240 copper pennies, as well as 4 silver crowns or one gold sovereign, legal tender for the pound sterling. Setting aside all questions of convenience, would not the bondholders immediately have perceived that such a measure would be a gross injustice to them? And would they not boldly have denied the right of King, Lords, and Commons to perpetrate so barefaced a swindle? And yet, what distinction is there, when viewed as a mere matter of justice, between an act which deprives the debtor of the right of paying in silver, to which right he was entitled by his agreement with the creditor, and an act which entitles him to pay in copper, in which he was not entitled to pay by his agreement? The only distinction is that the suggested right to pay in copper would be an injustice to the creditor;

whereas the withdrawal of the right to pay in silver is an injustice to the debtor.

No such Act as the suggested right to pay in copper, nor any Act tending to depreciate the pound sterling, has had any chance of being passed in Parliament since the establishment of the Funding System, simply because the chief representatives of the bondholders are bankers, merchants, and capitalists who have sufficient knowledge and influence to protect their just interests ; whereas the chief representatives of the debtors are labouring in the fields, in the factories, or in the mines, and as the Government of the day either had not the patriotism or power to defend their just interests, or else did not properly understand the influence of the measures which deprived them of the right to pay in silver, the debtors have been defrauded by Act of Parliament.

The compact between debtor and creditor has been broken in favour of the latter by a Parliament in which the influence of the bondholders was in the ascendant ; and, if this act of injustice be not quickly repaired, how will the bondholders be able equitably to complain if ever a Parliament in which the influence of the debtors may be in the ascendant should order them to accept their pounds sterling in copper or in paper ?

VIII.

Let us take a purely practical view of the consequences of the law passed in 1816.

Up to the year 1873 the silver continued to be worth as much as the gold pound sterling ; with the former the debtor could purchase the latter at par to pay the creditor, and, therefore, the obligation to pay in gold was no practical loss to him. In that year, however, the German Government, having decided to change their silver for gold coins, became large purchasers of gold. Now, if the English debtor had not been deprived of the right to pay in silver, then, as the English market sold gold in consideration of the premium which Germany chose to pay for it, the silver with which Germany bought the gold would have supplied the place of the latter without any fall in its absolute value. Debtors and creditors in England would not have been affected, but the holders of gold would merely have gained the premium which the German Government was pleased to pay for it. Instead of this being the case, the law of 1816 had made it a necessity for the English debtors to have gold with which to pay their debts ; and, therefore, this double demand for gold enhanced its value and made silver a comparatively useless metal.

To illustrate the principle involved in this question we may roughly estimate that the action of Germany

in withdrawing 100,000,000*l.* sterling from a stock of 800,000,000*l.* sterling enhanced the value of each remaining unit 14 per cent., making the English National Debt of 750,000,000*l.* sterling equal in value to what a debt of 855,000,000*l.* sterling would otherwise be ; whereas, if the English mint had been open for the coinage of silver, as the conditions under which the National Debt was received require that it should be, then silver would have supplied the place of any gold withdrawn from England for recoinage in Germany, and the relative interests of the English bondholder and national debtor would not have been affected by the German demand for gold. It is simply because the English law of 1816 has deprived the debtor of the right to pay in silver that the action of the German Parliament has had the effect of increasing the burden of the English debt. Roughly speaking, an extra burden of 100,000,000*l.* sterling has been placed on the shoulders of the British tax-payer, just because Lord Liverpool and his colleagues in 1816 fancied a gold to be better than a double standard, and had not sufficiently clear financial knowledge to enable them to understand the injustice they were committing when depriving the debtor of the right to pay in silver.

Courtesy requires us to assume that the lords and gentlemen who voted with the majority in 1816 had not sufficient financial knowledge to enable them to understand the character of the laws they passed, for

I cannot for a moment suppose that they deliberately intended, in an insidious and underhand manner, to increase the value of the bondholders' property to the detriment of the already heavily-burdened tax-payer.

IX.

Not only does the simplest principle of justice require that the English mint should be opened for the coinage of silver, seeing that under the conditions on which the National Debt was received silver is as true a legal tender as gold for the pound sterling, but also the welfare of the British Empire urgently requires that act of justice and equity. For the crotchet in favour of gold, by which we charitably assume that British statesmen were actuated in 1816, has not only spread to Germany, but other countries also, with circulations of inconvertible paper and attempting to return to metallic money, are possessed by that same fancy ; and it would be quite possible for the growth of such a crotchet, spreading like a contagious and dangerous disease, in the course of a few years, to double the value of gold. The British tax-payer is, therefore, to this extent, at the mercy of foreign legislation, which, by resolving to have gold rather than silver for circulating medium, may double the burden of the English National Debt as truly as if under the real terms of the debt a new loan of 750,000,000*l.* sterling were raised by the British Parliament. And the

bondholder would get this increased value of stock, not for value given or lent to the nation, but as a gratuitous bonus on his bonds.

Apart from the simple question of justice, is it desirable that the relative interests of the British bondholder and tax-payer should be in this manner dependent on foreign legislation? And is it possible for the country to stand the increase of taxation which, under our present unjust standard of value, might be laid on it by such foreign legislation?

Our present national income is not quite easily raised. The national expenditure is jealously watched, and in the estimates for the army and navy every item is trimmed down to a minimum. It is evident that even now the requirements to meet the interest on the National Debt are damaging the efficiency of the army and navy; and how then is the position of the empire among nations to be sustained if those services are allowed to be still further crippled by wholesale and gratuitous augmentations of the burden of the debt?

The dread of expenditure has not only been one of the chief causes of the rebuffs and reverses sustained in Asia and Africa, but has also been the sole cause of the prestige, tarnished by mismanagement, not having been re-established by conduct worthy of the England of our fathers. A leading London paper alludes as follows to one of our recent disasters:—

"It is painful to hear too late of the numerous mistakes which were made by the Colonial Office and its Agents. It is probable that, with greater tact and foresight, the Boers, who had almost unanimously accepted the transfer of allegiance, might have been permanently reconciled to English sovereignty. . . . The final and decisive error consisted in the withdrawal of troops, and, especially, of cavalry, at the time when the Boer leaders were openly threatening revolt. The English Government had, after the Zulu war, been seized with a morbid fear of military expense, in South Africa, and the Transvaal was almost entirely evacuated without regard to the dangers, or even to the cost, of a sudden reverse of policy. Only troops enough were left to provide the Boers with the opportunity of surprising a small detachment, and of besieging isolated forts of which the garrisons might be regarded as hostages."

Is it not evident that the "morbid fear of expense" alluded to in the foregoing extract is a consequence of the heavy amount already due to the bondholders? And yet, in the midst of this disastrous state of affairs, the latter have, in the course of the last seven years, received from the public purse the equivalent of at least 20,000,000*l.* sterling more than they are entitled to receive. Or, if we take the market price of the silver pound, then the excess received by the bondholders is much greater, for, in some of the interest paid to them, they have received 6*s.* in every pound

which, by the conditions of the loan, belonged to the tax-payer and not to them. Our labouring population has been defrauded of this money by the legislation of Parliament in 1816, which has arbitrarily taken it from them and paid it to the bondholders.

X.

The fact is that the rapid extension of the Funding System combined with thoughtless legislation has involved us in a predicament hitherto unknown throughout the history of the world. The worst of the difficulty can be averted by plain, straightforward honesty in financial legislation ; and what justice immediately requires is simply the reopening of the mint for the coinage of silver as well as gold. If, instead of this being done, other nations should follow us in our determination to have gold and not silver for unlimited legal tender, then the labour of our working population will become less and less remunerative, causing discontent to spread among the labouring classes ; whilst at the same time the increasing burden of the interest on the debt will cause the supplies for the army, navy, and civil service to be more and more retrenched ; which must make those services degenerate, whilst the curtailment of pay will spread discontent among them also ; and, in the midst of this national discontent and trouble, a Wat Tyler, a John Hampden, or a George Washington will rouse the nation to a

new life by boldly telling the labouring classes that they are a crowd of born slaves, toiling to pay taxes levied partly to pay moneys squandered by generations who have gone to their graves, and partly to pay an increase of the burden of that debt created by the thoughtlessly fraudulent legislation of a Parliament under the influence of the bondholders. Then, when the labourer clearly understands his position, an end will be put to the bondholders' rule, and it will be fortunate for them if Parliament does not treat them with an exaggerated form of the same injustice with which the Parliament of 1816 has treated the national debtor.

Nearly a quarter of a century ago I insisted that if ever the course of events should make it suit the British tax-payers to pay in the silver pound sterling rather than in the gold, they would boldly by word and deed assert their right to do so, or gradually become more and more helplessly chained by an insidious and degrading bondage as the slaves of the bondholders ; until at length unenslaved hordes from Asia or Africa might trample alike on enslaver and enslaved. I now merely with urgency recommend Parliament to lose no time in reopening the mint for the unlimited coinage of the silver crown (or some other suitable silver coin) as well as the gold sovereign, because, throughout all the history of the world there has never been recorded any other financial crime so mischievous and so foolish as that by which the gold

sovereign has been given its present position as the sole representative of the pound sterling ; and if that crime be not either annulled by the British Parliament or else counteracted by enlightened and merciful legislation on the part of other governments, it will practically reduce the labouring population of England and to a lesser extent throughout the rest of Europe and some other civilised countries, to a condition of slavery a thousand-fold more degrading and revolting than the system of negro slavery which the civilised world has just repudiated.

APPENDIX.

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REPLIES IN DISCUSSION
OF THE
PAPER ON LORD LIVERPOOL'S OVERSIGHT
AND ITS CONSEQUENCES.



REPLIES IN DISCUSSION
OF THE
PAPER ON LORD LIVERPOOL'S OVERSIGHT
AND ITS CONSEQUENCES.

To the Editor of the HERALD.

THE opinion expressed in your leading article of the 16th inst. to the effect that the bimetallicists, though beaten in the division on the above subject on the 14th inst., had really the best of the argument, encourages me to offer you a note of the objections then urged by our opponents, together with brief answers to them.

I. "Our gold standard is the cause of all our greatness."

Answer : Bimetallists consider that our prosperity would have been greater under a legal continuance of the double standard, because the change from that to the gold standard, which did not practically occur until 1873, has more or less disorganised trade and industries of all descriptions.

II. "Lord Liverpool advocated the payment of the interest of the National Debt in gold, because the money was borrowed in gold."

Answer : This is a mistake as regards a mere matter

of fact, so that, according to the objector's own argument, he ought to agree with bimetallists in asserting that, as the money was borrowed under the double standard, the interest ought to be payable under that same standard.

III. "You might as well insist on having diamonds for legal tender as money."

IV. "You might just as well insist on having the mint open for the unlimited coinage of copper."

Answer: A law making diamonds legal tender, or a law opening the mint for the unlimited coinage of copper as legal tender, would constitute an injustice to creditors on all current contracts, exactly similar to that inflicted on debtors by the closing of the mint against silver. We should consider it just as unjust to open the mint for the unlimited coinage of copper as to close it against either gold or silver.

V. "If an injustice was done in 1816, that is no reason why another injustice should be done now by changing back to the double standard."

Answer: There was no practical change in the standard of value until the year 1873. The injustice nominally done in 1816 has only since 1873 commenced to have practical effect, so that a legal return now to the double standard would not constitute another injustice, but would merely remedy an existing injustice, whose mischievous effects may otherwise become each year more serious.

VI. "It has recently become evident that there is

something wrong with silver. Everybody wants to have gold and not silver, and, therefore, gold is the only proper metal for legal tender."

Answer : Everybody who has debts to pay wants the metal which is legal tender for those debts, and, therefore, wherever gold and not silver is legal tender everybody wants gold. The "something wrong with silver" is a natural consequence of the recent closing of the mints against it. If the mints were, in the same manner, closed against gold, and silver were made the only legal tender, then everybody with debts to pay would want silver, and there would soon appear to be the same "something wrong" with gold. So, also, if the factories were suddenly closed against the manufacture of woollen articles, then sheep farmers would very soon find "something wrong" with the value of their stock. And if those farmers were unable to understand why the cessation of the manufacture of woollen articles should reduce the value of their sheep, then they would be on a par with those commercial men who cannot understand what the "something" is that is "wrong with silver."

VII. "The production of silver is so erratic as to make it unfit for a standard of value."

Answer : It is a mere matter of fact that the production of silver is less erratic than the production of gold, so that, according to "C.'s" own argument, he ought rather to advocate the closing of the mint against gold than silver. The value of a double standard of

gold and silver would, however, be even less erratic than that of a silver standard. The value of the gold standard would be the most erratic of the three, and, therefore, the critic's argument would be very good if used against the gold standard, but bimetallists do not consider it sufficiently strong to justify the repudiation of gold.

VIII. "The amount of payments settled in gold or silver is so infinitesimal when compared with the mass of payments made in bills, cheques, and bank notes, that if silver were thrown out of circulation it would not be missed."

Answer: The value of those bills, cheques, and notes depends on the quantity of metallic money current as legal tender for their payment, just as the value of the currency bills held by the banks in Buenos Ayres depends on the quantity of inconvertible paper current as legal tender for their payment. And the withdrawal of half the metallic money in circulation would therefore raise the value of all debts payable in metallic money, just as certainly as the withdrawal of half of the inconvertible paper in Buenos Ayres would raise the value of all debts payable in that currency.

The attempt to repudiate silver brought on a state of crisis all over the world exactly similar to what would be caused in Buenos Ayres by a sudden withdrawal or repudiation of a large mass of the inconvertible paper in circulation.

IX. "We don't want silver thrown out of circulation."

Answer : By closing the mints against the unlimited coinage of silver, and allowing it to be legal tender for small amounts only, it must of necessity be thrown out of circulation ; for only a very small portion of the existing stock would then be wanted by anybody. Thus the critic simply declares that he does not want to produce the effect which his conduct must of necessity cause.

X. "Our present National Debt is not the same debt which existed in 1816."

Answer : Since 1816 we have paid off 100,000,000*l.* more than we have borrowed since that date ; so that all that remains is debt which existed in 1816. That debt has never been liquidated, but remains the same debt ; for there has not been an extinction of the debt of 1816 followed by the creation of a new debt ; and therefore if no debt had existed in 1816 there would be no debt now. But even if this were otherwise, it would not alter the question as a matter of equity ; for the change from the double to the gold standard did not practically occur until the year 1873. Everything borrowed before 1873 was borrowed under the double standard of value, and it is only since that date that all debts in pounds sterling have been practically changed from the double standard measure to that of the gold standard, which has been raised in value by the closing of the mints against silver.

XI. "No injustice is done as regards our National

Debt, because it is a question in which our own Parliament legislates for ourselves, and it concerns nobody else."

Answer : The debtor and creditor in the case are both under the authority of the British Parliament ; but they are nevertheless distinct interests. And not only are the debtor and creditor in this case clearly distinct, but also the debtor as regards the payment of the capital is quite distinct from the debtor as regards the payment of the interest on the debt.

To illustrate the separate interests involved in this question, let us suppose Parliament were now to decide to have the whole debt paid off, as advocated by Ricardo.

The owners of landed property and real estate would quickly perceive that they would have to sacrifice 20 per cent. more of their property for the purpose of paying off the debt under the gold standard than under the double standard, and would naturally claim their right to pay what was due according to the standard under which the money was borrowed.

Parliament would then have to decide whether to sustain the gold standard in the interest of the bondholders or to allow the mint to put silver in circulation so as to return to the double standard in the interest of the landowners. The question involved would be as to whether a certain amount of property should belong to one set of rich men, the landowners, or to another set of rich men, the bondholders, and the

interests of the country in general would not be much affected by the decision.

The question is very different as regards the yearly payment of interest on the debt; for the creditor and the debtor are then no longer respectively the bondholder and the owner of real estate; but on the one hand the bondholder, and on the other the labouring classes, whose labour is the source of the yearly revenue from which the interest is paid. Those are the respective interests between which it is the duty of Parliament to see justice done; and for Parliament passively to allow the change of the standard of value, which occurred in 1873, to become permanent would be an everlasting disgrace to the intellect, or else, worse still, to the honour of the governing classes in the country.

I do not hesitate to say that the manner in which our enormous debt has remained unpaid from the year 1816 to the year 1882 is one of the greatest scandals in history; and also that the legal establishment of our gold standard in 1816 is, without any exception, the most gigantic breach of faith that has ever been recorded throughout the history of the world.

It is shameful enough for Parliament to have allowed so enormous a debt to run so long unpaid, thus allowing the money-lenders to appropriate an immense revenue every year from the earnings of the labouring classes, instead of returning their capital to them to invest in such a manner as to contribute to the

National strength, instead of being a source of weakness ; but, whilst that debt is current, to allow of a practical change of the standard of value to the detriment of the labouring classes, who do not understand how the profits of their labour are insidiously sucked from them by the change, would be a far greater disgrace to the present Parliament.

Having given an answer to each one of the speakers against bimetallism, I may point out that the resolution proposed on the 14th inst. involved so limited a support of the principle as to be no more than what the English, German, French, and United States Governments would all now acknowledge.

The bimetallic party may be divided into three classes.—First : Those who consider that the reopening of the English mint for the coinage of silver at the ratio of $15\frac{1}{2}$ would practically restore the double standard ; and that as long as the present National Debt remains unpaid the mint ought to be open for the unlimited coinage of silver as a mere matter of justice towards the labouring classes. Secondly : Those who think it requisite for England to join in an international treaty for the re-establishment of bimetallism. And thirdly, those who wish England to retain the legal establishment of the gold standard, but nevertheless desire the English Government to assist other nations to bring about a practical restoration of the double standard at the former ratio.

All those parties would naturally agree as regards

supporting the resolution proposed on the 14th inst.; and it is evident that it practically has the adhesion of the English Government; and I believe that if the question had been open to free discussion (instead of my being rigorously bound by the rules of the Society, which allow the proposer to speak only once after proposing the adoption of a resolution) it would have been carried on the 14th inst.

To the Editor of the HERALD.

I have read with great interest Mr. Jordan's paper on the above subject, as printed in your valuable journal, but I am sorry that I have not been able to rightly appreciate the meaning of some of his terms, therefore I should feel it (as perhaps other of his readers may) a great kindness if he would kindly explain the following queries:—

- 1st. What is meant by the "standard of value"?
 - 2nd. Is this "standard of value" to be of coin, or bullion, or merchandise.
 - 3rd. Do the bimetallists advocate two standards "of equal value," one of gold and the other of silver?
- I shall feel very thankful if he would kindly assist

AN ANXIOUS INQUIRER.

June 20, 1882.

To the Editor of the HERALD.

I have much pleasure in handing you the following replies to the questions addressed to me by your correspondent "An Anxious Inquirer."

1st. The standard of value is whatever may by agreement be referred to for the purpose of giving an idea of the values of things, just as the standards of weights and measures are referred to for the purpose of giving an idea of the length or the weight of

anything. It is, however, impossible to have an absolutely fixed value for a standard as in the case of a standard weight or a standard measure.

2nd. Neither coin nor bullion nor merchandise are, nor can they conveniently be made, standards of value. Gold and silver are both well recognised standards of value in the civilised world, and coins are made from them as a matter of convenience, because the stamp guarantees the quantity and the quality of the metal ; but all gold in the shape of bullion or ornaments is just as much a part of the gold standard as gold in the shape of coins.

The standard of the coinage must not be confused with the standard of value, for that merely indicates the quantity of other metals legally mixed in the coinage with the metal used as a standard of value, and it varies in different countries having the same standard of value just as, also, the value of the unit, or principal coin of account, differs in different countries having the same standard.

3rd. When both gold and silver are current in any country as full legal tender, with the mint open for the unlimited coinage of both metals, then the two metals jointly form one standard of value. This was the case from time immemorial until the year 1873, since which date gold and silver have formed two separate standards of value.

For the purpose of having a standard of the two metals, it does not matter what relative value may be

placed on them by the mint for coinage. The rate may be 10 of silver to one of gold, or 20 of silver to one of gold. In the former case more silver would be coined than hitherto, and less would be used for other purposes ; and in the latter case more gold would be coined and less would be used for other purposes ; but in either case the whole stock of gold and silver jointly, whether coined or uncoined, would be the standard of value. Bimetallists want the legal restoration of that one standard of value, i. e. the double standard which existed until 1873. That is to say, we want to have one standard only, instead of the two which now exist. The fact of the ratio of $15\frac{1}{2}$ having recently existed, makes it desirable for that ratio to be restored with the restoration of the standard.

June 22nd.

REPLIES IN DISCUSSION
OF
THE PAPER ON THE DOUBLE STANDARD AND
THE NATIONAL DEBT.



REPLIES IN DISCUSSION
OR
THE PAPER ON THE DOUBLE STANDARD AND
THE NATIONAL DEBT.

THE first speaker against the resolutions quoted the opinion of John Stuart Mill in favour of a single standard, considering the maintenance of a double standard impossible because the cheaper must drive out the dearer metal.

If one country only had the double standard, and, of the other countries, some the gold and others the silver standard, and if silver were brought to the silver mints for coinage in so much greater amount as to make its excess beyond the value of the new supplies of gold greater than the value of the gold circulating in the bimetallic country, then the gold would be driven from the latter country.

A smaller supply of silver than the value of the gold in circulation in the bimetallic country, or a smaller supply of gold than the value of the silver in that country, would simply change the relative amounts circulating there, without changing the relative value of the two metals.

For these practical reasons the authorities to which I have alluded successfully advocated the establishment by law of a double standard in England and afterwards in France ; though both authorities, as each was legislating for his own country alone, recognised the right of the law to regulate the relative value of the two metals in such a manner as to suit the convenience of the circulation.

Newton and Bonaparte both took too broad and practical a view of the question to allow of their advocating a disregard of the terms on which, *on the faith of a tacit understanding which had been the slow growth of ages of gradually increasing faith between man and man*, gold and silver were held as measures of value by those who had obtained them in return for value given.

For these reasons, I say that the speaker based his avowed intention to vote against both resolutions on an opinion of John Stuart Mill, which does not constitute a serious argument against the first resolution; and which, by a mere assertion, adversely decides a minor question at issue in the second resolution, without touching the merits of the main point.

The second speaker fluently accused me of arriving at conclusions at variance with my arguments, and of advancing arguments unsupported by facts.

All I have said is permanently recorded in this paper, which will, I think, vindicate itself against such an accusation. I was indeed half afraid that I had

perhaps made a wearisome repetition of some of the leading facts on which the arguments are based.

As an instance of the absence of requisite facts, he said I should have told what the amount of the debt had been at various epochs, and how much had been raised since 1816.

I have told you that the first important amount of debt was incurred during the revolution of 1688 ; that in 1816, when the silver standard was abolished, its amount was 850 million £ ; and that it is now about 750 million £. I might easily have loaded my paper with more statistics of the debt, but no more were required for the purpose of the present discussion. For those figures show that not only has all the money borrowed since 1816 been repaid, but also 100 millions of that previously borrowed ; so that all the existing debt was borrowed whilst silver was unlimited legal tender in England.

If, by his criticism, the speaker meant to imply that all that has been borrowed since 1816 must be considered to be still unpaid, on the plea that the subsequent payments must be considered to have extinguished the older portion of the debt, then that is an assertion which I cannot admit ; for it is evident that if there had been no debt in 1816 there would be no debt now ; for, we have paid off 100 millions more than we have borrowed since that date.

Even, however, if we admit the speaker's view of the matter—even then, though the legal technicalities

of the question are modified, or partly modified, its intrinsic merits as a question of equity remain unchanged.

For, though England abolished the legal action of the double standard in 1816, it was nevertheless practically maintained by the action of other nations until 1874. It was only in the latter year that the effect of the English law of 1816 became apparent, in the relative depreciation of silver, which results from the enhanced value which gold acquires in consequence of the legal status given to it and not to silver.

As the relative value of gold and silver was maintained up to 1874 in spite of the English law of 1816, all the money borrowed during that interval has practically been received under the bimetallic system ; and, therefore, as a matter of equity it is as unfair to enforce its payment in gold, after the practical collapse of that system, as to enforce the payment in gold of the previous loans borrowed with the legal right to pay in silver.

All this is, however, quite beside the true merits of the case ; for the existing debt all existed before 1816, and was therefore all borrowed with the legal right of repayment in silver.

The speaker also objected to the double standard, on the ground that by it silver mining would be encouraged. And why should it not be encouraged as well as gold mining ? A part of the gold coined at the

English mint has cost the miner five shillings an ounce, and on its being coined for him he finds it worth in his hands more than eighty-four shillings an ounce. No such encouragement to silver mining can be given by its legal tender rate of five shillings an ounce, as that encouragement given to gold mining by its legal tender rate of $3l. 17s. 10\frac{1}{2}d.$ an ounce standard.

But, the fact is that no permanent difference can be made in the number of men employed in mining under the single or the double standard, for if too many should engage in mining, either for gold or silver alone, or for both, the purchasing power of legal tender metal would quickly decline sufficiently to make it requisite for them either to turn to other employments or to starve for want of a sufficient yield of metal to maintain them at the enhanced range of prices.

The speaker also says there is no reason why silver should go out of circulation, even if not acknowledged as legal tender.

But, even admitting that adverse laws cannot drive silver out of circulation ; even so, if it is true that silver can and will sustain itself in spite of laws, it is all the more expedient that its position should be recognised by law.

But the fact is that France will not coin silver whilst England and Germany close their mints against it. And if permanently repudiated by those three countries, it is probable that the rest of Europe and

the United States will endeavour to establish sole gold standards as a matter of convenience. Thus the purchasing power of silver in its reduced area will be diminished, and the purchasing power of gold in its enlarged area will be increased, and the relative value of the two will fluctuate from the new basis of value, in accordance with each fluctuation of relative supply.

If England does not act promptly, all power to control the relative value of the two metals may vanish in consequence of the increasing difficulty resulting from delay. And then, by the legislation of foreign nations, the burden of the English National Debt may be doubled or trebled, or caused to fluctuate in accordance with the vagaries of their legislation.

If foreign legislation should be such as to bring about any important or permanent change in the relative value of the two metals, it will then become impossible for the English Government to ignore the fact that, as the National Debt has been borrowed under the bimetallic system, precisely the same injustice is done to the debtor by any limit being placed to the legal tender of either gold or silver as would be done to the creditor by the free coinage of copper as unlimited legal tender. The question is a thoroughly practical one; and not dependent on individual fancies as to what constitutes the best medium of exchange.

The speaker's suggestion as to allowing some other

metal to supply the place of silver, cannot enter into the merits of the present discussion. The re-acknowledgment of silver is what is practically requisite. Its equitable substitution by a more valuable metal is a more difficult question which it will be time enough to discuss if the re-admission of silver should entail any such inconvenience as to warrant such a substitution.

What thoroughly amazed me in this speaker's observations was his assertion that Mr. Barclay's argument to the effect that the rejection of all the silver in circulation would naturally enhance the purchasing power of gold, is based on a fallacy.

If the speaker could persuade all who are now in favour of gold monometallism that the general level of prices must remain the same whether silver is universally repudiated or universally admitted as unlimited legal tender, the cause would, I think, lose one-half of its present supporters. For many among the holders of fixed incomes, regard it merely as a matter which affects the value of their incomes and consider that the more money is kept out of circulation the greater must be the value of those incomes. If this could be shown to be a fallacy, then many of those supporters of the gold standard would doubtless cease to trouble themselves about the matter.

Leaving, however, this narrow and directly selfish view of the matter for broader considerations, the self-interest even of the Army and Navy is with the re-

admission of silver ; for, if its repudiation should result in any great increase of the burden of the debt, there will certainly be less of the country's resources available for the support of those services. Even under existing circumstances there can be no doubt that they are not so adequately supported as they would be if the country were not burdened with debt. How then will the requisite supplies for them be obtained if the interest on the debt should be allowed to absorb twice as much of the country's available resources as it does at present ? An undue extension of the debt must result in the ruin of the Army and Navy, and then in that of the country.

What amazed me even more than the assertion just considered was the argument on which it was based.

The speaker told us that 300 millions sterling of accounts are settled every week in London without the intervention of metallic money ; and that the amount of paper money, cheques, and bills, by which these accounts are settled, is so great, compared with the amount of metallic money in circulation, that no possible increase or decrease of the latter can really affect prices.

This argument follows that by which I endeavoured to show that the universal repudiation of the 720 millions sterling of silver now in circulation would simply form a more world-wide, though similar disaster, to that which would result from the repudiation of the existing Bank of England notes.



If even the Bank of England notes were repudiated, would not the fabric of credit alluded to collapse? And, in the absence of those notes, would not business in England be resumed, after the crisis caused by their repudiation, at a lower level of prices?

Even a partial withdrawal of notes, or extra freedom in their emission, affects prices. How, then, can it be suggested that a wholesale repudiation of either the silver or the gold in circulation would not affect prices?

If every twenty ounces of silver repudiated were replaced by a five pound note of inconvertible paper accepted as legal tender universally, then prices would be maintained as silver was withdrawn; but such paper would be a sorry substitute for the silver. And such substitution is impracticable.

The fact is that, just as the value of any given nominal amount of local currency bills and cheques in this city depends on the total amount of the circulation of the inconvertible paper in which they are payable; so also the value of the 300 millions sterling of bills, cheques, and bank notes referred to, depends on the total amount of the circulation of the coin in which they are payable.

A reduction of the amount of metallic money which is legal tender all over the world, must enhance the value of any given nominal amount in bills, cheques, or bank notes based on, and payable in that metallic money, just as certainly as a reduction of the amount

of inconvertible notes in the Argentine Republic would enhance the value of a bill for 1000 dollars currency.

The third speaker made an able defence of the bimetallic system if universal; but objected to the second resolution, on the ground that it would lead to England being flooded with silver. He made, however, no definite reply to the arguments by which I have endeavoured to show that under existing circumstances it would not have such an effect; and he left entirely unnoticed the arguments by which I have shown that, even if such an effect were certain to result from the re-adoption of the principle of bimetallism, it would nevertheless be expedient for England to act on it.

The fourth speaker also supported the principle of bimetallism, but objected to its adoption by England unless under an international treaty for joint action with France, or a combination of other countries.

The speaker seemed to overlook the argument by which I endeavoured to show that the first effect of the re-adoption of bimetallism by England would naturally be a practical arrangement between the authorities of the English and French mints for their mutual guidance, and that the mint authorities in the United States would be only too ready to support such measures as might be adopted to reinstate silver.

I argued that the attempt to repudiate silver originated in the English law of 1816, and that on the

abrogation of that law, the self-interest of the various countries would naturally reopen their mints to silver.

I contend that the mere removal of a restrictive law now in force in England, will practically achieve the object in view, without any formal celebration of international treaties.

This speaker eloquently denounced the recent conduct of Germany in this matter, and argued that that country had no right to disturb the commercial world simply for the sake of forcing a gold instead of a silver circulation into Germany. Admitting the speaker's arguments, he should have looked beyond them to the fact that Germany so acted because England had done so in 1816. England then placed the corner stone on which the crime has been founded. It is therefore England's duty to take the lead in the work of reformation, and I have also shown that England is more interested than Germany in the matter.

France long stood alone in resisting the crime of repudiation. And, though now bending before the storm raised by the monometallists, is ready, under existing laws, now merely held in abeyance, to rally to the support of any powerful nation that may make a stand in the cause of honour.

The next opposition speaker argued that it is not desirable to have two currencies. And that gold is less subject to fluctuation than silver.

We have to deal with the fact that two currencies

actually do exist, and that the repudiation of either constitutes a crime towards the holders of that currency, and involves another crime towards every debtor, seeing that such repudiation enhances the value of the remaining currency in which he becomes forced to pay his debts.

As regards the second argument, the fact is that the supply of silver has fluctuated less than the supply of gold, and the apparent steadiness in the value of gold is due to the mints having been freely open for its coinage whilst closed against silver.

The next speaker, who opposed the second resolution, grasped the true question at issue, and he pointed out that on one occasion in this country, after a great change in the legal measure of value had been caused by an excessive issue of paper money which had become convertible, a special law was passed increasing the nominal amount of all contracts entered into before the occurrence of the depreciation of the measure of value.

The speaker argued that, what equity now requires in England is some such practical measure for the protection of the national debtor. He pointed out that, whereas in this country the creditor on contracts of long standing was specially protected against the effects of the increased quantity of legal tender notes : in England the national debtor now requires special protection against the effects of the repudiation of silver by the law of 1816.

The speaker, whilst advocating a practical measure did not suggest any special measure, and overlooked my argument to the effect that *the* practical measure now requisite is merely the immediate re-adoption of the principle of bimetallism by England.

The distinguished Argentine to whom I am now replying was the only opposition speaker who really faced the main question at issue. With that exception, the opposition exemplified the character of that ponderous but timid bird which buries its head in the sand in the hope of avoiding the hunter's shaft.

A new edition, which has recently been published in England, of the essay on Bimetallism read by Mr. Barclay before the Literary Society on the 26th May of last year, contains a footnote commenting on the injustice of the parliamentary legislation of 1816, which was the theme of the essay read by me on the 28th July of the same year. And, as the two essays now appear in print, it would appear to any reader that the latter is a mere extension of Mr. Barclay's footnote, whereas in reality the footnote is an acceptance by Mr. Barclay of the principal argument of the latter essay. Though it is evidently through an oversight that Mr. Barclay has allowed his footnote to appear in such a manner as to allow of its creating an erroneous impression in this respect, I must in self-defence warn

readers of the two pamphlets against regarding mine as a mere plagiarism from that footnote. A special reason why that note should not have appeared without anything to show clearly that it is a recent addition to the essay, is Mr. Barclay's strong opposition to the argument when I used it in support of his resolution on the 26th May. Mr. Barclay seemed then to resent my carrying away the argument from the ground of commercial convenience to that of the rights of the labouring classes, and declared his desire to separate himself entirely from the arguments used by me in support of his resolution. Few, even now, in discussing the relative merits of gold or silver or double standards of value, fully realise the fact that the pound sterling is what it is because the National Debt has made it what it is, and that every penny of the interest paid on that debt reduces directly or indirectly the wages of the labouring classes.

In the short time which has elapsed since I read the paper in which I endeavoured to show that the repudiation of the National Debt by Act of Parliament would be a natural sequel to the repudiation of silver, unless the law by which silver was demonetised in England were repealed, we have witnessed a great confiscation of property, or repudiation of the rights of holders of property in Ireland, effected by Act of Parliament on the plea of necessity. The fact (to which I have elsewhere alluded) that since the year 1873, the law by which the double standard was repudiated

in England has arbitrarily confiscated at least 20,000,000*l.* sterling from the pockets of the labouring classes in England and paid it to the bondholders as a bonus beyond the value of the interest due to them, is a comparatively trivial part of the mischief done by the attempted repudiation of silver. The great evil has been the stoppage of trade and the check to the production of wealth caused by the disorganisation of the currency. The English law of 1816 did not begin to have the practical effect of enhancing the value of gold until 1873, and then it not only steadily swept away the margin for profit on each commercial transaction, but, by breaking down prices, checked manufactures and industries of all descriptions. Wherever the natural difficulties for the creation of wealth may be greatest, or the population may be most thriftless or indolent, that strain on the currency must soonest become unbearable, and none, who appreciate the importance of the enhancement of the value of gold caused by the demonetisation of silver, can think it unreasonable to assume that if the prosperity of the world had not been artificially checked in 1873, Parliament would not have been called on to repudiate rights acquired by purchase in Ireland. Newton in England and Bonaparte in France gave practical evidence of having realised the fact that the law must acknowledge or adapt itself to rights which become rights by the slow process of natural selection. Gold and silver have grown into the position they hold as

circulating medium by that process, and if the law by which Parliament in 1816 repudiated the rights of the holders of silver continues to be sustained and be not counteracted by the legislation of other countries, then Parliament will find itself gradually hurried from one act of repudiation to another until all rights of property are swept away. The attempted demonetisation of silver is a blow at the acquired rights of property which is felt all over the world, and seems to me to be the most dangerous disaster that civilisation has encountered in its growth since, with the gradual strengthening of those rights, mankind slowly emerged from barbarism. I will not however go further on this subject beyond the object for which I commenced this article, which was to prevent the risk of the pamphlet I published last year appearing as a plagiarism, or, at best, a mere extension of Mr. Barclay's footnote, which has with some others been attached to Mr. Barclay's paper since the publication of mine, and which is, in reality, Mr. Barclay's acceptance of an argument which he strenuously opposed in Buenos Ayres.

REPLIES IN DISCUSSION
OF
THE PAMPHLET ON THE POUND STERLING:
ITS HISTORY AND CHARACTER.

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OF
THE PAMPHLET ON THE POUND STERLING:
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To the Editor of the HERALD.

ALTHOUGH I not long ago resolved not again to enter into discussion with any anonymous writer, the chivalrous tone in which your correspondent has attacked my pamphlet on the above subject, induces me to offer some remarks on his criticisms.

Your correspondent says :

“ It is evident, by the whole statistics given, that the National Loan was made at times when more than ordinary inducements were held out to the lender in order to secure the means of prosecuting the great objects of State.”

I wish first to point out that in this statement your correspondent has opened a new question, which I had not touched, or alluded to in any of my writings.

I have merely accepted the fact of the debt having amounted to 850,000,000*l.* in 1816. My arguments have nothing to do with the question as to whether the terms on which it had been raised were easy or hard on the debtor, but are intended merely to point out or explain the injustice committed

by Parliament in changing that debt of 850,000,000 pounds sterling into a debt of 850,000,000 gold sovereigns.

I have argued that if Lord Liverpool and his colleagues had properly understood the importance of the distinction between those two amounts they never would have advocated such a change, and that the only valid excuse to be made for the Parliament of 1816 is that they made the change "by mistake."

Lex dederunt sed non lex dixerunt.

Secondly. Your correspondent's argument that :

"Parliament, or the people, borrow from the people, and this people have a right to *pay themselves* in silver, but the people, or Parliament, which is the same thing, say they must pay themselves in gold,"

though serving as a prelude to a plausible disquisition, is really superficial ; for the interests in question are really distinct, the *nation* being the borrower and *individuals* the lenders of the money. And it also ignores the fact that the vast majority of the labouring population, who are the tax-payers, and not bond-holders, were not represented in Parliament in 1816. They did not know what Parliament was doing.

I have endeavoured to show that, if the law of 1816 be not quickly annulled, the action of foreign legislation may create such conflicting interests between debtor and creditor, as may make the question quite unmanageable in Parliament, and ultimately compel the labouring classes to take the matter into their own hands in a manly manner unless they pusillanimously

flock in rapidly increasing numbers into the alms-houses and workhouses, to meet a destiny of wholesale starvation as soon as the increase of those establishments becomes too great to be supported by the wealth of the country.

OUR MODERN HELIOGABALI.

To the Editor of the HERALD.

Between six and seven years ago the London Board of the late Mercantile Bank instructed their Envoy Plenipotentiary in Buenos Ayres to make me understand that "the Board wanted a manager to obey their orders, and not a dictator to tell them what they must do," though any Board of Directors not bewildered by the difficulties of a situation with which the then ruling majority of its members were quite incompetent to grapple, would clearly have understood that the "musts" to which they objected did not mean that "to suit my own purposes," I commanded them to allow the course I indicated to be adopted, but merely that it appeared to me (in a better position than they to judge) that the non-adoption of that course must of necessity be ruinous to the interests of the shareholders of the Bank. So also, when I and some other advocates of bimetallism say that England must re-adopt the silver standard, we do not mean to assert that it is absolutely impossible for the restoration of that standard to be prevented, but merely that any such legislation as

may make its restoration unnecessary will be excessively disastrous to the country in other respects ; and, as you did me the honour of giving prominence to the paper I read before the Literary Society in which I expressed the opinion that Parliament must restore the silver standard, I ask you to allow me to protect myself in your columns, by the clear enunciation of the above saving clause, from the risk of a misunderstanding similar to that above alluded to. I ask you to publish this rider to the opinion already published, because I perceive by the English papers received by the last mail that Parliament has actually commenced a course of legislation which, if systematically persisted in, may render the re-adoption of bimetallism in England not only quite unnecessary but even perhaps as mischievous as its abolition actually has been.

The value of the gold pound sterling is now nearly 20 per cent. more than that of the silver pound which was nominally abolished in 1816 and practically abolished in 1873 ; and the new Land Court just established by Act of Parliament in Ireland has, according to the *Times* of the 4th ult.,* authorised a reduction of even more than 20 per cent. on one of the contracts between landlord and tenant which has been brought before them. Of course if all written contracts are to be revised in this manner, allowing debtors, by special Act of Parliament, to pay in gold 20 per cent. less than the amount of pounds sterling they have contracted to pay, they will naturally be even better

* November 1881.

pleased than if compelled to adhere to their contracts but allowed to pay in the silver pound in which they are equitably entitled to pay every contract signed before 1874.

By the systematic pursuance of the course inaugurated by the Irish Land Court, Parliament may certainly get rid of the necessity for restoring the silver standard, but that course appears at present to involve a task in comparison with which all the recorded labours of Hercules shrink into insignificance ; and which might have been avoided, even without re-adopting the silver standard, by the simpler course of authorising all debtors on contracts dated before 1874 to pay in gold the equivalent of the silver pound instead of the full gold pound. This would have done quickly and thoroughly what the Land Court appears bent on doing laboriously ; and by such a course Parliament might have avoided the dangerous precedent of arbitrary interference with individual contracts. The mere restoration of the silver standard in 1881 could not perhaps have been quick enough in its action to save the lives of the Irish landlords, but it does not appear that it would even now be too late to save the just rights of owners of property, including the bondholders, in England.

It must be borne in mind that every contract revised in the manner effected by the new Land Court makes it more difficult than before to arrange an equitable adjustment between the national debtor and the national creditor ; and also that it is quite

ridiculous to suppose that the people who would neither submit to King Charles's claim to levy Ship Money, nor to King George's Tea Tax, are likely to continue to submit to be swindled to the extent of about 20 per cent. every year by a parcel of bond-holders.

M'Culloch refers to the change of the standard of value brought about by increasing the value of the current coins as "a method of swindling first practised in the worst times of the Roman Empire." The Emperor Heliogabalus, being legally entitled to a fixed amount of money for certain taxes, increased the value of that income by raising the value of the coins at the national expense. His and all other performances in that line have however, as far as I have been able to ascertain, been quite trivial compared to the manner in which the equivalent of 120,000,000*l.* sterling of debt has been placed on the British tax-payer, since 1873, by the change of our silver debt into a gold debt; and though Heliogabalus ventured so far as to order heavier coins to be made, so as to increase the value of his income, he never ventured on so barefaced a proceeding as to pay in silver what was borrowed in gold, or to claim in gold what was due in silver. The latter modification of his "method of swindling" is an audacious novelty, which seems to have been specially reserved for the display of the originality of the genius, or the folly, of Lord Liverpool; and if our modern Heliogabali, who now have the value of their incomes increased by Lord Liver-

pool's Heliogabalian Act, endeavour to continue to induce Parliament to require money borrowed payable in silver to be paid in gold, then the debtors will before long induce Parliament to declare that, in accordance with precedent, that same money, borrowed payable in silver, may, by way of a change, be paid in copper or in paper ; and therefore, notwithstanding the manner in which the action of the new Land Court practically defends for a time the present position of the bondholders, it would be wise on their part to accept, whilst they can, the restoration of the silver standard.

THE GOLD "CRAZE."

To the Editor of the HERALD.

The article from a New York paper, under the head of "The Silver Craze," which has appeared in your columns to-day, reminds me of the celebrated French lawyer, who spoke splendidly, but forgot in his speech the sheep which were the object of his suit, until, at length, his client cried out in despair, "Revenons à nos moutons"; so please allow me to recall attention to the origin of this question.

Until quite recently all holders of either gold or silver could please themselves as to whether they held it in the shape of coin or otherwise. Under this condition of affairs, a group of financiers suddenly, for reasons into which I need not enter, got into their heads the idea that it was desirable to deprive holders

of silver of that privilege and to make gold alone the standard of value.

The propaganda (commenced in 1866) for the general adoption of the gold standard resulted in the holders of silver finding themselves deprived (in the year 1873) of the right of having it coined ; and the price of silver then quickly fell from 6*d.* per oz. to 4*d.*

In order to check the mischief done by the rapid change in the relative value of silver and gold, the mints of several nations were successively opened for the coinage of limited amounts of silver, and under this condition of affairs the price has recovered to 5*d.*

These measures are, however, merely palliative, and it is gross misrepresentation to endeavour to make it appear that bimetallists fancied it possible for the former par of about 6*d.* per oz. to be restored by any such measures. Silver and gold had a relative value of $15\frac{1}{2}$ to 1 when the law left it entirely to the holders of those metals to decide what quantity of either metal should be coined at that ratio, and what quantity should be used for other purposes. But now that the law has taken upon itself to decide what quantity of silver may be coined, whilst the holders of gold still retain their former right, there is naturally an increased demand for gold, for it has an extra value in consequence of being the only metal which commands the right of being coined. Up to the year 1873 it shared this value, or right, with silver ; but it now has the value of which silver has been deprived.

It is perfectly absurd to suppose that bimetallists

ever imagined that the present palliatives could restore the former value of silver in relation to gold. The restoration of that value can only be attained by the law ceasing to meddle, in the way of attempting to decide what quantity of either metal is to be coined. Bimetallists merely protest against the propaganda initiated by those who, to suit their own purposes, have taken a special fancy to gold. We have no special fancy for silver, but contend that it ought to be left to the holders of gold and silver to decide, as formerly, what to have coined and what to use otherwise; and, therefore, if the term "craze" is to be brought into the discussion of this question, an article on the subject might much more appropriately be headed "The Gold Craze" than "The Silver Craze." It would be ridiculous to expect that people could do otherwise than continue to prefer to have gold rather than silver as long as gold commands the right of coinage and silver does not; and in accusing us of such expectations our opponents merely give a new indication of the manner in which some of them allow themselves to be guided by fancy for lack of reason. But at the bottom of the whole question there lies the fact that the closing of the mints against silver enhances the value of the large National Debts which now exist. The money-lenders, as a rule, understand this well enough, but the labouring classes, who pay the yearly interest, do not yet understand it. The issue is a very practical one, and not a "craze" on either side.

THE ARGENTINE REPUBLIC IN THE SILVER QUESTION.

“I do not rhyme to that dull elf,
Who cannot image to himself,
That all through Flodden’s dismal night,
Wilton was foremost in the fight.”

I do not write this article for those who either cannot or will not understand the cause of the present separation of the gold and the silver standards of value, which, until recently, combined to form a double standard.

I propose merely to point out to those who already understand the practical action of such a separation the manner in which the foreign loans of this country have been affected by it, and also the course of legislation which is best suited to the interests of the country, from a financial point of view.

For this purpose a very few words will suffice for the initiated, though, for others, it might necessitate a long dissertation, embracing, perhaps, even the alphabet of finance.

The Argentine Republic owed in London, in the year 1873, more than ten millions sterling, and the collapse of the double standard, which occurred in that year, has practically added a value of two millions sterling to that debt, by making a present debt of 10,000,000*l.* equal to the value of a debt of 12,000,000*l.* in 1873.

The Argentine Government have actually paid in London, during the past nine years, very much more than a value of 1,000,000*l.* in the excess of the value of interest caused by the change from the double standard to the gold standard. And they are this year paying a value of 120,000*l.* more than would be required from them if the double standard had been sustained.

The change of the standard of value is now causing a yearly transfer of wealth from the Argentine Republic to the money-lenders in London equivalent to the value of 120,000*l.* This change of the standard tells against the Argentine Republic and in favour of the money-lenders in London, just exactly in the same manner as it tells against each individual taxpayer in England to the benefit of those same money-lenders, which latter are now getting out of the people of England an extra value of more than 4,000,000*l.* every year by the action of the change of the standard of value.

The London money-lenders are the only individuals who profit by the change of the standard, whilst the overwhelming majority of the people of England, and more especially the labouring classes, are mulcted for their benefit just in the same manner as each foreign nation with a sterling loan is mulcted.

Shakespeare has given us a pretty parallel to the present position of affairs in his tale of the Merchant of Venice.

Shylock induced Antonio to sign the contract for the pound of flesh, not, as he assured the latter, for the sake of any advantage which Shylock could himself obtain from such a contract, but merely as a "merry jest"; in fact, just to please Shylock's fancy; but, when the bond came due, then the fancy became a stern purpose.

So, also Lord Liverpool, the great special pleader for the interests of the money-lenders, induced Parliament to abolish the silver standard, not, as he assured them, for the purpose of giving any individual any pecuniary advantage, but merely because he fancied it nicer and more convenient to have only one metal for unlimited legal tender.

But now that the Act of Parliament, which was obtained under the plea of its being merely a measure of convenience in the money market, and not in any manner advantaging the money-lenders, has, nevertheless, had the practical effect of giving an extra 20 per cent. to the money-lenders, they claim a technical right to that extra 20 per cent. as boldly as Shylock claimed his pound of flesh.

I take the liberty of warning them to pause and consider well their position. Let them consider well the bitter consequences which Shylock of Venice suffered, and then they may, perhaps, have understanding to perceive, looming in a not very distant future, still greater calamities in store for them, if they do not, in time, renounce their claim to the pound of flesh.

The very Act under which they claim their 20 per cent. will be, as with the Shylock of Venice, the perfect, though, at the same time, the only justification of the course by which the debtors will regain their freedom if that Act is not quickly renounced.

Let the Shylocks of London remember that Parliament closed the mint against silver to satisfy what was said to be their convenience, and not for the purpose of giving them 20 per cent. more of the property of their debtors.

To attempt to justify the appropriation of this 20 per cent. by that Act of Parliament makes that Act as great a breach of faith as that by which Shylock obtained his legal right to the pound of flesh. "Lex dederunt sed non lex dixerunt," must now be recorded against that Act; and, as it now gives to the money-lenders an advantage which it was expressly urged that it was not intended to give, it ought, therefore, to be at once frankly renounced, thus leaving the mint open for the coining of silver as freely as for the coining of gold. In presence of a consideration of this character, to argue about the comparative convenience of a gold or a silver circulation, is childish prattle; it is worse than Nero's fiddling whilst Rome was burning.

Whilst, under existing conditions, the English mint remains closed against silver, it is manifestly disadvantageous for the Argentine Republic, or for any nation with a large debt contracted in London, to

endeavour to maintain a gold circulation ; for every ounce of gold they absorb in their own circulation enhances the value of the gold debt due in London.

It is rather for the interest of such nations to encourage the circulation of silver only ; so as to restore the former par value of the two metals and thus prevent the gold debt in London from becoming permanently enhanced in value above the double standard value under which the money was borrowed. It should be kept in view that, as the silver standard cannot be abolished in the manner advocated by the Paris Conference of 1866, the double standard must, therefore, of necessity, sooner or later restore itself ; and that the lower the relative value of silver may be in the restoration of that standard, the greater will be the permanent loss to the Argentine Republic on its foreign loans. It is easy to see in what respects the attempt to establish a gold circulation in this country must be pernicious under existing circumstances ; whilst those same circumstances beset the idea of establishing a silver standard with practical difficulties which do not enter into the problem involved in the establishment of a gold circulation. These are not, however, insurmountable, and the interests of the country require that they should be fairly faced.

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